Nos. 71 and 485

In the Supreme Court of the United States

OCTOBER TERM, 1944

ROSCOE A. COFFMAN, APPELLANT

v.

BREEZE CORPORATIONS, INC., AND THE UNITED STATES OF AMERICA

ON APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE DISTRICT OF NEW JERSEY

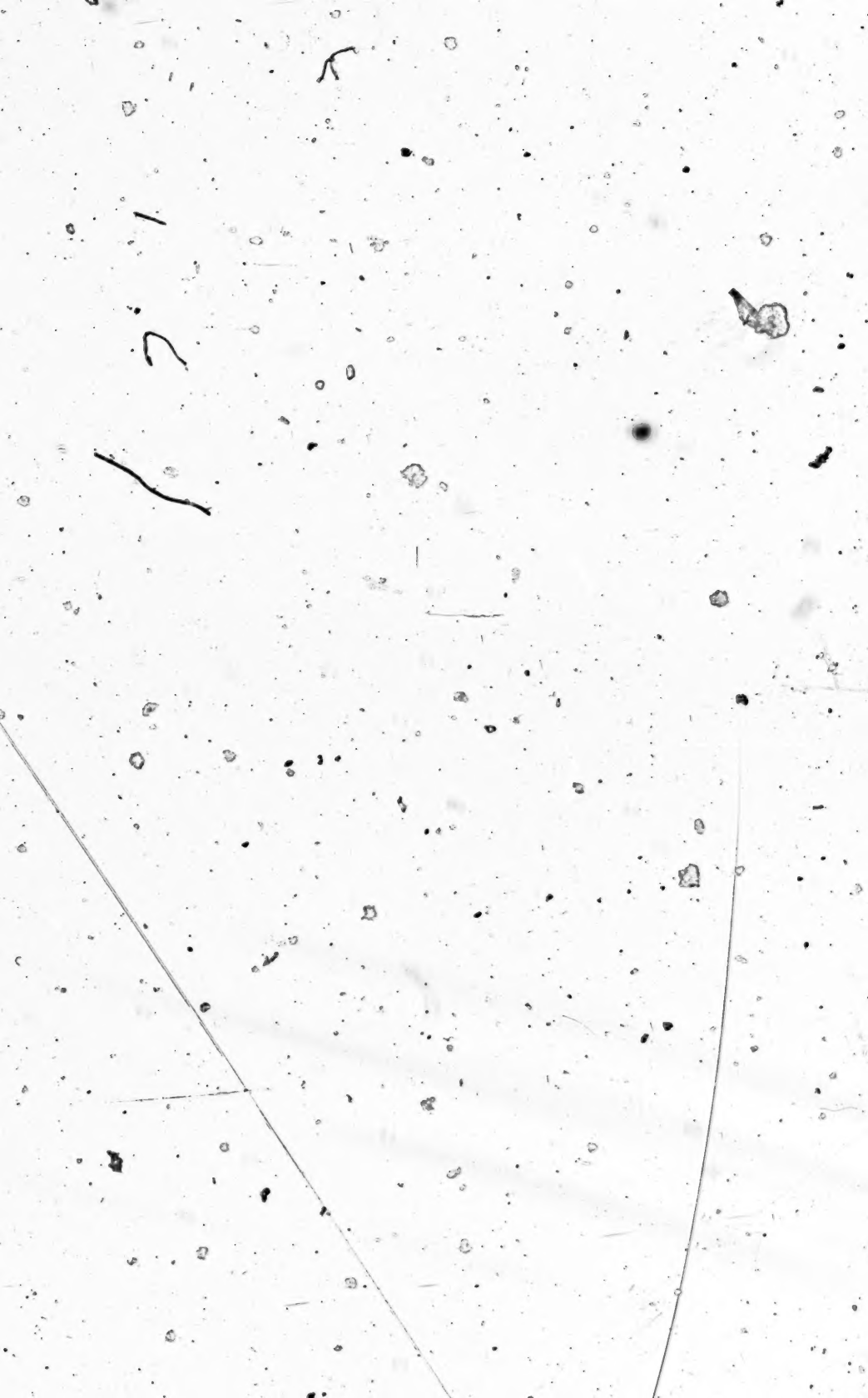
ROSCOE A. COFFMAN, APPELLANT

v.

FEDERAL LABORATORIES, INC., AND THE UNITED STATES OF AMERICA

ON APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE WESTERN DISTRICT OF PENNSYLVANIA

BRIEF FOR THE UNITED STATES



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OPINIONS BELOW

The opinion of the District Court of the United States for the District of New Jersey (No. 71, R. 61–69) is reported in 55 F. Supp. 501. The order

of the District Court of the United States for the Western District of Pennsylvania dismissing portions of appellant's complaint (No. 485, R. 64–65) is not officially reported.

JURISDICTION

The judgment of the district court in No. 71 was entered on April 6, 1944 (No. 71, R. 70). The petition for appeal was also presented on April 6, 1944 (No. 71, R. 70), and allowed the same day (No. 71, R. 70–71). The case was docketed in this Court on April 28, 1944. On May 22, 1944, this Court postponed further consideration of its jurisdiction to the hearing of the case on the merits (No. 71, R. 76).

The order of the district court in No. 485, of which review is sought, was entered on August 1, 1944 (No. 485, R. 64–65), and the order allowing appeal was filed on August 29, 1944 (No. 485, R. 65–66). The case was docketed in this Court on September 20, 1944. On October 16, 1944, this Court postponed further consideration of its jurisdiction to the hearing of the case on the merits (No. 485, R. 70–71).

On October 16, 1944, this Court, on motion of the appellant, consolidated both cases (Nos. 71 and 485) for argument, and transferred them to the summary docket (No. 485, R. 70–71).

Jurisdiction of this Court in both cases is asserted to be based on Section 3 of the Act of August 24, 1937 (c. 754, § 3, 50 Stat. 752, 28 U. S. C. 380a).

QUESTIONS PRESENTED

1. Whether the suits by appellant, a patent owner, seeking to enjoin its licensees from making refunds of royalties to the Government pursuant to orders issued under the Royalty Adjustment Act, and attacking the validity of the Act, were properly dismissed for want of equity and of a case or controversy.

2. Whether, in addition, the suit in No. 485 was barred by *res judicata*.

3. Whether it was proper to convene a three-judge court in each case and to take a direct appeal to this Court.

STATUTES AND REGULATIONS INVOLVED

The Act of October 31, 1942 (56 Stat. 1013, 35 U. S. C. Supp. III, 89–96), known as the Royalty Adjustment Act, and Section 3 of the Act of August 24, 1937, are set forth in Appendices A and B, *infra*, pp. 70–75, 76–78.

STATEMENT

These are appeals from judgments of specially constituted three-judge courts, convened pursuant to Section 3 of the Act of August 24, 1937 (28 U. S. C., § 380a), dismissing suits by appellant, Roscoe A. Coffman, to restrain appellees, Breeze Corporations, Inc. (No. 71), and Federal Laboratories, Inc. (No. 485), from complying with certain orders issued pursuant to the Royalty Adjust-

ment Act of October 31, 1942 (35 U. S. C. Supp. III, 89–96).

The following facts, alleged in the complaints or undisputed in the record, are common to both cases:

Appellant Roscoe A. Coffman owned a United States patent covering an improvement in starting motors, and shells for use therewith. On December 8, 1932, he entered into a license agreement with appellee Federal Laboratories, Inc., a Delaware corporation, granting Federal a non-assignable exclusive license at a royalty of 6 per cent of the licensee's net selling price of all devices and parts covered by the patent. (No. 71, R. 1–2, 12–13; No. 485, R. 1–2, 17.) At some time prior to July 1937, appellee Breeze Corporations, Inc., a New Jersey corporation, acquired all of Federal's outstanding common capital stock and, as the sole owner of that corporation, exercised sole control over the latter's practices and policies (No. 71, R. 2; No. 485, R. 2). In 1937 Breeze entered into an agreement with Federal, renewed in 1939, whereby Federal engaged Breeze as its "exclusive sales agent and distributor," to manufacture and sell the patented devices. Breeze thereupon took over the exclusive manufacture and sale of the starting devices and shells which formerly had been carried on by Federal. (No. 485, R. 61–64, 5–6; No. 71, R. 63.)[1]

[1] The complaint in the district court in No. 71 alleges that Breeze in 1937, "undertook to perform the terms of the agree-

In February 1941, appellant instituted an action in the District Court of the United States for the District of New Jersey against both Federal and Breeze (Civil Action No. 1395), seeking an accounting and judgment for royalties allegedly owing to appellant under the license agreement, and rescission of the license for fraud (No. 71, R. 2–3, 20–25; No. 485, R. 6–7). Breeze answered, denying liability for the royalties and any right to rescission (No. 71, R. 40–42); Federal was not served and did not appear or answer (No. 71, R. 63; No. 485, R. 7). That action (hereinafter referred to as the "New Jersey accounting action") is now at issue and awaiting trial, and under the district court's ruling will govern all royalties accruing to the date of trial (No. 71, R. 3).

On October 31, 1942, the Royalty Adjustment Act became law (56 Stat. 1013, 35 U. S. C. Supp.

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ment" between Coffman and Federal (No. 71, R. 2). The 1937 agreement between Breeze and Federal did not become available to the plaintiff Coffman until the oral argument on the Government's motion to dismiss the complaint in No. 71 on jurisdictional grounds, when Coffman and Breeze submitted a stipulation to be used only in the event the Government's motion was denied. Annexed to that stipulation were copies of the 1937 and 1939 agreements between Federal and Breeze and copies are also found in the record in No. 485 (R. 61–64). The district court in No. 71, in its opinion granting the Government's motion, recited (No. 71, R. 63): "The Federal Laboratories, under agreement dated April 28, 1937 and April 28, 1939, employed and engaged the defendant Breeze Corporations, as the 'exclusive sales agent and distributor,' to manufacture and sell the inventions." This is also alleged in the complaint in No. 485 (No. 485, R. 5–6).

III, 89–96). Section 1 provides that whenever a patented invention is "manufactured, used, sold, or otherwise disposed of for the United States," under a license calling for royalties "believed to be unreasonable or excessive" by the head of the Government agency concerned, he "shall give written notice of such fact to the licensor and to the licensee," and within a reasonable time thereafter "shall by order fix and specify such rates or amounts of royalties, if any, as he shall determine are fair and just, taking into account the conditions of wartime production." The licensee may not, after the effective date of the notice—

> pay to the licensor, nor charge directly or indirectly to the United States a royalty, if any, in excess of that specified in said order on account of such manufacture, use, sale, or other disposition.

The licensor in such cases is deprived of "any remedy * * * against the licensee for the payment of any additional royalty remaining unpaid," and his "sole and exclusive remedy, except as to the recovery of royalties fixed in said order" is suit against the United States—

> to recover such sum, if any, as, when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production. (Sec. 2.)

The Act is made applicable "to all royalties directly or indirectly charged or chargeable to the United States" which "have not been paid to the licensor prior to the effective date of the notice," as well as to royalties accruing upon articles delivered "after the effective date of the notice" (Sec. 7). Any reduction in royalties pursuant to the Act is to inure "to the benefit of the Government by way of a corresponding reduction in the contract price to be paid * * * or by way of refund if already paid to the licensee" (Sec. 4).[2]

On February 24, 1943, pursuant to Section 1 of that Act, the United States Navy Department gave written notice to appellant, and to Federal and Breeze, that the royalties provided for by the 1932 license to Federal "now being paid directly or indirectly by the United States under certain contracts in which" Federal or Breeze "is either a prime contractor or a subcontractor are believed to be unreasonable or excessive;" and the notice directed that until a Royalty Adjustment Order was issued under the Act, "no royalties should be paid on account of the manufacture, use, sale, or other disposition for the United States" (No.

[2] On August 7, 1944, the constitutionality of this Act was upheld by the United States Circuit Court of Appeals for the Third Circuit in *Timken-Detroit Axle Co.* v. *Alma Motor Co.*, 144 F. (2d) 714. On October 2, 1944, rehearing was denied, and on November 24, 1944, the appellant in that case obtained a stay of mandate for the purpose of filing a petition for a writ of certiorari in this Court.

71, R. 59; No. 485, R. 7). A similar notice was given to the same parties by the United States War Department on March 3, 1943 (No. 71, R. 60; No. 485, R. 7). In December 1943, the Navy and War Departments issued Royalty Adjustment Orders N-7 and W-9, respectively, pursuant to Section 1 of the Act, reducing to specified amounts determined to be "fair and just," the royalties accruing on account of manufacture, use or sale of the inventions for the Navy or War Departments, with maximum royalties of $50,000 per year, commencing January 1, 1943.[3] By way of refund, the orders directed both Federal and Breeze to pay to the Treasurer of the United States "the balance, in excess" of the royalty payments authorized in the orders, "which were due to Licensor and were unpaid on the effective date" of the notice, or which thereafter became due to the licensor "on account of any manufacture, use, sale or other disposition of said inven-

[3] Paragraph (1) of the Orders fixes the "Fair and just rates and amounts of royalties" for the starters, parts and cartridges, as follows:

"(a) Upon each starter sold to or for either the War Department or the Navy Department, the sum of Eight ($8) Dollars each, and

"(b) upon parts and cartridges sold to or for either the War Department or the Navy Department, no royalties:

"but not to exceed the sum of Fifty Thousand ($50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943 in respect of starters sold to or for the War Department and the Navy Department, added together."

tions for the War Department or Navy Department" (No. 71, R. 42–45, 46–48; No. 485, R. 39–45). Appellant then instituted the two suits here involved.

The New Jersey Injunction Suit (No. 71).

On January 7, 1944, appellant instituted an action in the District Court of the United States for the District of New Jersey, to enjoin Federal and Breeze from complying with the aforesaid Royalty Adjustment Orders on the ground that the Act and the orders were unconstitutional and void, and to obtain a declaration to that effect (No. 71, R. 1–8).* Breeze was served, but Federal was not served and did not appear.

On January 7, 1944, District Judge Smith issued an order temporarily restraining Breeze and Federal from complying with the orders until a hearing by a special three-judge court (No. 71, R. 49). Such a court was then designated (consisting of Circuit Judge McLaughlin and District Judges Smith and Fake) pursuant to Section 3 of the Act of August 24, 1937 (No. 71, R. 61).

* Neither Breeze nor Federal had then and have not yet, so far as we know, paid appellant the $50,000 royalties permitted by the orders, nor the balance of accrued royalties to the United States. At the date of the complaint, a meeting of Breeze, Federal and their officers and counsel had been scheduled to consider what action to take (No. 71, R. 5). According to an audit of Breeze's books ordered by the court in the New Jersey accounting suit, some $260,000 in royalties had accrued "for the entire year 1943" (No. 71, R. 10).

Upon receipt of a certification under Section 1 of that Act that the constitutionality of an act of Congress affecting the public interest had been drawn in question, the United States intervened on January 15, 1944, with permission of the court (No. 71, R. 50–53). Breeze filed an answer on January 29, 1944,[5] denying that any royalties were due from it to either appellant or the United States under the Royalty Adjustment Orders, and asserting that whether the Act "is valid or invalid is a matter which is immaterial" to it because it owes appellant nothing (No. 71, R. 56).

On February 5, 1944, the United States moved to dismiss the complaint on the grounds that the court lacked jurisdiction over the subject matter, that appellant had no standing to challenge the validity of the Act, that the complaint did not state grounds for equitable relief, and that the Royalty Adjustment Act and orders are valid (No. 71, R. 57–58). On April 6, 1944, the court entered a judgment dismissing the complaint (No. 71, R. 70), on the grounds that there was no case or controversy between the immediate parties, and that appellant had an adequate remedy at law

[5] This date does not appear in the printed record, but it is shown in the docket entries found on page 1 of the original transcript of record in this case, filed in this Court.

(No. 71, R. 61–69).* Appellant brought that judgment here on appeal.

The Pennsylvania Injunction Suit (No. 485)

On June 14, 1944, appellant brought a second suit in the District Court of the United States for the Western District of Pennsylvania, to restrain Federal and Breeze from complying with the Royalty Adjustment Orders on the ground that they and the Act are invalid (No. 485, R. 1–12). The complaint in that suit, however, consisted of three causes of action, incorporating the substance of the New Jersey accounting suit and the New

*The temporary restraining order which Judge Smith had issued on January 7, 1944, was continued by the three-judge court on January 26, 1944 (No. 71, R. 53). On April 6, 1944, when the judgment below was entered dismissing the complaint, Judge Fake allowed an appeal to this Court, and without notice to the Government entered an order enjoining Federal and Breeze pending the appeal from paying to the Treasurer of the United States any royalties due to Coffman (No. 71, R. 70–71). After the Attorney General brought to the attention of the court below and the parties that this stay order appeared to be invalid under Rule 62 (c), F. R. C. P., appellant applied to the three-judge court upon notice for a stay pending appeal. On May 24, 1944, that court denied the stay and ordered appellant to present his application therefor to this Court which, on May 22, 1944, had agreed to hear the appeal on the merits. On May 26, 1944, appellant applied to this Court for a stay, which was denied on May 29, 1944. The Royalty Adjustment Board of the Army Air Forces by letter of May 30, 1944, thereupon directed Breeze to comply with the Royalty Adjustment Orders (No. 485, R. 46).

Jersey injunction suit, as well as some additional matter.

The first cause of action alleged that Breeze and Federal received royalties from certain British companies which they were obliged to share with appellant, and prayed for an accounting and judgment in the amount due (No. 485, R. 1–5, pars. 1–17).[1] The third cause of action asked judgment for royalties alleged to be due from Breeze and Federal under the 1932 license agreement (No. 485, R. 11–12, pars. 33–35). The second cause of action sought an accounting in respect of a balance of royalties alleged to be due from Breeze and Federal (thus partially duplicating the third cause of action), and termination of the license agreement on account of alleged violations thereof (No. 485, R. 5–7, 10–11, pars. 18–23, 31, and 32 (1), (2), and (5)). With respect to these allegations and the relief sought on the basis thereof the United States took no position in the Pennsylvania suit.

The second cause of action, however, also set forth the proceedings and orders under the Royalty Adjustment Act (No. 485, R. 7–8, pars. 24–26), the New Jersey injunction litigation (No. 485, R. 8–9, pars. 27–29), and the letter of the

[1] The 1932 license to Federal also granted rights under foreign patents obtained by appellant covering the same invention. The royalties alleged to be due in the first cause of action apparently were based upon British use of the invention.

Royalty Adjustment Board dated May 30, 1944, directing Breeze to comply with the Royalty Adjustment Orders (No. 485, R. 9–10, par. 30). It charged that the Orders are void because not authorized by the Act, that the Act destroys appellant's contract rights, and that compliance by the defendants with the Orders would cause appellant irreparable damage since he will be unable to recover the "moneys due to him from the defendants" if they are "paid over to the Treasurer of the United States" (No. 485, R. 10, pars. 30, 32). Appellant accordingly prayed for a temporary and final order enjoining Federal and Breeze from complying with the Royalty Adjustment Orders (No. 485, R. 11, par. 32 (3)). This time Federal alone was served, and Breeze entered no appearance.

District Judge Gibson issued a temporary restraining order as prayed and ordered a hearing before a specially constituted three-judge court to determine, *inter alia,* whether the Royalty Adjustment Act "should be declared unconstitutional in accordance with the prayer of the plaintiff's complaint" (No. 485, R. 47–48). By direction of the court (No. 485, R. 48), a copy of the complaint and the order were served upon the Attorney General.

On July 18, 1944, the United States intervened as a party by leave of court, pursuant to Section 1 of the Act of August 24, 1937 (No. 485, R. 52–53),

and filed a motion to vacate the temporary restraining order and to dismiss the complaint insofar as it purported to allege grounds for, and prayed for, injunctive relief against compliance by Breeze and Federal with the Royalty Adjustment Orders (No. 485, R. 50–52). That motion was based on the grounds that (1) the judgment in the New Jersey injunction suit, dismissing appellant's complaint, was *res judicata* as to that portion of the Pennsylvania action which sought injunctive relief against compliance by Breeze and Federal with the Royalty Adjustment Orders; (2) the issuance of any injunction prior to disposition by this Court of the appeal in the New Jersey suit would be inconsistent with the order of this Court and the order of the three-judge court in New Jersey, issued on May 29 and 24, 1944, respectively, denying appellant a temporary injunction pending appeal; and (3) all the issues raised by appellant's prayer for injunctive relief were pending in this Court on the New Jersey appeal, and in the Circuit Court of Appeals for the Third Circuit (in *Timken-Detroit Axle Co.* v. *Alma Motor Co.*, thereafter decided, 144 F. (2d) 714).

On August 1, 1944, the three-judge court in Pennsylvania granted the Government's motion and dismissed the injunctive portions of appellant's complaint, holding that the case was "not to be distinguished" from the New Jersey action "in that the controversy of the private parties to

the action fails competently to raise a presently justiciable question as to the constitutionality of the Royalty Adjustment Act," and that the decision in the New Jersey action "correctly indicates the appropriate disposition to be made" of the Government's motion (No. 485, R. 64–65).* Appellant appealed from this order, and the two cases (No. 71 and No. 485) were consolidated for argument in this Court.

SUMMARY OF ARGUMENT

1. The appellant has not shown an interest entitling him to equitable relief against payment by the defendants to the United States, by way of refund, of royalties found excessive pursuant to the Royalty Adjustment Act. The complaints do not indicate that voluntary payments by the defendants are imminent. Indeed, it is unlikely that such payments would be made while other

* On August 8, 1944, Federal filed an answer in the Pennsylvania suit admitting that it owed appellant $180,230.44 of the $371,625.96 royalties claimed by appellant under the license agreement (No. 485, R. 60). This answer was filed a week after the Pennsylvania court had dismissed the injunctive portions of appellant's complaint, and accordingly replied to only those portions of appellant's complaint which were not dismissed—that is, the prayers for an accounting and money judgment. The United States did not in either court below, nor does it now, take any position as to appellant's right to an accounting or money judgment against Breeze or Federal or both. Since appellant has called upon this Court to review only the action of the court below striking the portions of the complaint relating to injunctive relief, the answer raises no new issues pertinent to this appeal.

actions by the appellant against the defendants for royalties are pending, as is the fact. Moreover, appellant has no proprietary interest in the amounts claimed to be owing to him as royalties. He is a simple contract creditor and there is not even an allegation that the defendants would be unable to make payment to appellant if they were to pay the United States. The appellant, furthermore, has an adequate remedy at law which he is actually pursuing through the suits against the defendants for royalties. In these circumstances a court will not be moved to entertain a suit for injunctive relief, particularly where the validity of an act of Congress is sought to be made the turning point of the case. Cf. *Moor* v. *Texas and New Orleans R. R. Co.*, 297 U. S. 101.

2. The interest of the defendants is not genuinely adverse to that of the appellant in these proceedings. The burden on the defendants is the same whether the Act and the orders pursuant to it are valid or invalid. The defendants must pay either to appellant or to the United States the royalties collected and found to be excessive. Whether, in order to avoid the risk of double liability, the defendants would prefer to submit to an injunction or to resist it, is conjectural. At all events, the antagonistic character of the defendants' interests with respect to the relief sought is too shadowy to support a case calling for the adjudication of constitutional issues. Cf. *Chicago & Grand Trunk Railway Company* v. *Well-*

man, 143 U. S. 339. The intervention of the United States did not create the requisite case or controversy. Cf. *United States* v. *Johnson*, 319 U. S. 302. There could be no reliance here on the Federal Interpleader Act since the defendants have not invoked it or offered to satisfy its conditions, and since in any event such a procedure would involve the issuance of an injunction against the United States which has not consented to be sued in that manner.

3. The proceedings in No. 485 were properly dismissed for the additional reason that they were barred under principles of *res judicata* by the decree in No. 71. In the two cases there is identity of relief sought, identity of grounds for relief, and identity of parties, since the defendant Breeze, served in No. 71, is the sole owner and the selling agent of the defendant Federal, served in No. 485. Cf. *Hart Steel Company* v. *Railroad Supply Company*, 244 U. S. 294.

4. The three-judge court was properly convened in each case. The injunctions would have suspended the operation of a federal statute and, unlike Section 266 of the Judicial Code, the Act of August 24, 1937, does not require that the injunction be directed specifically against Government officers. Direct appeal to this Court was proper although the decision in each case turned on nonconstitutional grounds. Cf. *Sterling* v. *Constantin*, 287 U. S. 378. If the federal question sought to be raised in the complaints was too patently in-

substantial for the calling of a three-judge court, affirmance of the dismissal of the complaints would still be the most suitable disposition of the cases. *California Water Service Company* v. *City of Redding,* 304 U. S. 252.

ARGUMENT

Because of identity of issues in the New Jersey and Pennsylvania suits, they are treated in one brief. The Pennsylvania suit, however, presents the additional issue of *res judicata,* since it was begun after the New Jersey suit was decided. That issue will be discussed in Point III, pp. 48–59, *infra.*

We maintain that the courts below properly ruled that the validity of the Royalty Adjustment Act and orders may not be challenged in an injunction suit by a licensor against a licensee to prevent compliance with the orders. If we are mistaken as to this, we assume that the Court would remand the causes for hearing and determination of the constitutional issues, especially since these issues may require or justify the taking of evidence, both as to the factual foundation for the legislation and as to the liability of defendants to appellant for royalties even apart from the legislation, since in No. 71 such liability has been denied and in No. 485 the defendant is seeking to file an answer including a counterclaim. Cf. *Wilshire Oil Co.* v. *United States,* 295 U. S.

100. Accordingly, we shall not argue the validity of the Act and orders at this time, unless this Court requests that we do so.

PRELIMINARY ANALYSIS

Appellant's claim against Breeze and Federal is basically one for the payment of royalties alleged to be due under a license agreement.* The Royalty Adjustment Orders, issued under the Royalty Adjustment Act, declare that such royalties, if they total more than $50,000 per year, at a specified rate, are unreasonable and excessive. The Act (Sec. 1) prohibits payment by the licensee to the licensor of any royalties in excess of that amount, provides that the licensor shall have no remedy against the licensee "for the payment of any additional royalty," but permits the licensor to sue the United States for any additional amount needed to make up "fair and just compensation" for the use made of his patented invention on behalf of the Government (Sec. 2). If the licensee has collected any of the excessive royalties from the United States, he is ordered to refund them; and in the future the contract price is to be reduced by the amount of the excess (Sec. 4).

* If appellant prevails in its claim for cancellation of the license, the Royalty Adjustment Act will cease to be applicable to subsequent manufacture or use by Breeze or Federal since such manufacture and use would be unlicensed (see Sec. 1 of Act).

The situation of appellant is thus that of a general creditor whose claim is declared by the Government to be excessive and partially uncollectible against the debtor (being replaced by a limited claim against the debtor plus a residuary claim against the United States for just compensation). The creditor, believing that the Government's orders reducing his claim are invalid, has an obvious remedy: he may disregard the Government's directions and sue his debtor at law for the full amount of his claim. In such a suit, the debtor may defend the claim on the merits, or he may assert that the Act and orders forbid payment to the creditor, whereupon the creditor will have a clear opportunity to challenge their validity.[10] No penalties can attach either to the creditor or to his debtor as a result of that procedure. In the instant suits, the creditor has invoked this obvious remedy, having instituted two actions to recover the full amount alleged to be due (the New Jersey accounting suit, and the third cause of action in the Pennsylvania suit). As to these suits, the Government has raised no question. But the creditor has gone beyond that: he also asks that his debtor be enjoined from complying with the Government's direction to refund the

[10] Unless the debtor invokes the Act and orders, he may run the risk of dual payment. But if the debtor prevails upon the merits in such a suit without relying upon the supervening directions from the Government under the Royalty Adjustment Act, the validity of the Act and orders would be a purely academic matter.

excessive royalties already collected from the United States. Yet if the debtor does make that refund, no possible damage to his creditor can ensue, since there is no contention that such payment would render the debtor unable to meet the creditor's claim in full. The debtor, on his part, has no interest in the validity or invalidity of the Act and orders, since in either event he must pay accrued and collected royalties either to the creditor or to the United States. The same is true of future royalties; if he is relieved of them, his price to the Government or to the Government contractor is reduced accordingly, while if he must continue to pay them, he will merely pass them on in the price. The debtor's only interest would be to avoid double liability, and from this point of view his interest in resisting rather than welcoming the injunction, and accordingly in defending the Act, would be conjectural at best.

These circumstances dispel any right to test the validity of the Act and orders by suit to restrain compliance therewith by the debtor. The absence of any legal injury to the creditor from such compliance; the lack of interest on the part of the debtor as to whether he is enjoined or whether the Act and orders are declared invalid—such factors have been uniformly held to preclude any right to an injunction for alleged invalidity of a federal statute. The reasons advanced by the courts for denying an injunction have varied: want of standing on the part of the plaintiff to

complain of defendant's compliance; adequacy of the legal remedy; absence of a sufficient adversary interest between plaintiff and defendant; lack of a "case or controversy;" and others. But regardless of the rule applied, the consistent conclusion has been that a plaintiff was not entitled in such circumstances to test the validity of the law by means of an injunction suit. This brief will discuss the applicable authorities according to the formula utilized. And as we shall show in Point II, pp. 44–47, the situation in which a debtor admittedly owing an obligation to either of two persons interpleads both in order to pay but once, is inapplicable here, first, because the debtor has not sought such relief or satisfied the conditions for granting it, and second, because the United States has not consented to be brought into such an interpleader.

I

APPELLANT HAS NO STANDING IN EQUITY TO CHALLENGE THE CONSTITUTIONALITY OF THE ROYALTY ADJUSTMENT ACT

Axiomatic is the want of judicial "power *per se* to review and annul acts of Congress on the ground that they are unconstitutional" (*Massachusetts* v. *Mellon*, 262 U. S. 447, 488; *Adkins* v. *Children's Hospital*, 261 U. S. 525, 544), as well as the reluctance of courts to decide "a question of constitutional law in advance of the necessity".

Liverpool, N. Y. & P. S. S. Co. v. *Emigration Commissioners,* 113 U. S. 33, 39; cf. *Ex Parte Garland,* 4 *Wall.* 333, 382; Brandeis, J., concurring, in *Ashwander* v. *Tennessee Valley Authority,* 297 U. S. 288, 345. The sole ground which could be advanced by appellant for attacking the validity of the Royalty Adjustment Act and the orders issued pursuant thereto by means of an injunction against compliance by Breeze and Federal with the orders, is that appellant may suffer irreparable injury through compliance by the defendants with the direction to repay the excess royalties to the United States (No. 71, R. 5–7; No. 485, R. 10). The alleged unconstitutionality of the Government's directions does not relieve appellant of the necessity of bringing himself within the equitable jurisdiction of the courts in order to secure injunctive relief. *Dows* v. *Chicago,* 11 Wall. 108; *Cruickshank* v. *Bidwell,* 176 U. S. 73, 81; *Shelton* v. *Platt,* 139 U. S. 591, 594; *Boise Artesian Water Co.* v. *Boise City,* 213 U. S. 276, 281. "The fact that it would be convenient for the parties and the public to have promptly decided whether the legislation assailed is valid, cannot justify a departure from * * * established principles of equity practice," and those "seeking an injunction must bear the burden of showing danger of irreparable injury, as do others who seek that relief" (Brandeis, J., concurring, in *Ashwander* v. *Tennessee Valley Authority,* 297 U. S. 288, 344–345).

It is plain that the requisite basis of equity jurisdiction is lacking here.[11]

A. *The action complained of is not sufficiently imminent*

Appellant sought to enjoin Breeze and Federal from voluntary compliance with the Royalty Adjustment Orders (No. 71, R. 7–8; No. 485, R. 11). But there are no allegations that defendants were about to comply by repaying to the Government the excessive royalties already collected from it. The complaint in the New Jersey suit alleged that Breeze and Federal had scheduled a meeting of their officers and counsel to determine upon the course of action to be taken in light of the orders (No. 71, R. 5), but the complaint did not charge that either Breeze or Federal had complied or was about to comply with the orders, nor that they would have decided to comply with the orders at the scheduled meeting. Likewise, the Pennsylvania complaint does not allege that either Breeze or Federal is about to obey the orders; it merely alleges that unless Federal is restrained from compliance "Plaintiff fears" that "moneys due to him from the defendants may be paid over to the Treasurer of the United States and plaintiff may not be able hereafter to recover the same"

[11] The complaint in the New Jersey injunction suit did not even allege that irreparable injury would be caused appellant through compliance by Breeze and Federal (No. 71, R. 1–7), but the Pennsylvania complaint did so allege (No. 485, R. 10).

(No. 485, R. 9–10).[12] Moreover, it is highly unlikely that Federal or Breeze would voluntarily comply with the orders while suits are pending against them brought by appellant for the full amount of the royalties, in which suits the validity of the Act and orders can be tested.[13] The Government could withhold future contract payments due to Federal or Breeze as a means of collecting their obligation under the Royalty Adjustment Orders, but it does not follow that either company will pay voluntarily and at once that which the Government could collect only gradually and in installments. This is especially true since if the Act or orders should be held invalid, Breeze and Federal will have their remedy to recover the payments withheld under other contracts. Cf. *Cruickshank* v. *Bidwell*, 176 U. S. 73, 81; fn. 20,

[12] Breeze's answer in the New Jersey suit denied that any royalties whatever were owing by it to appellant (No. 71, R. 56). Federal's answer in the Pennsylvania suit, filed after the order striking the injunctive portions of the complaint was entered, admits that certain royalties are due from it but asserts that the Royalty Adjustment Act and orders prohibit their payment to appellant, except as provided in said orders (No. 485, R. 59–60).

[13] Federal's answer in the Pennsylvania suit asserts that the Act and orders prohibit payment of concededly accrued royalties (No. 485, R. 59–60). The validity of the Act and orders may thus be challenged by appellant in a reply or in a motion addressed to the pleadings. Appellant during the week of November 7, 1944, filed, in the Pennsylvania suit, a motion for summary judgment for some $60,000, but to the extent that this is intended to cover only the royalties permitted by the Royalty Adjustment Orders, as is likely, their validity would, of course, not be in dispute.

pp. 34–35, *infra*. And, of course, the injunction sought in neither suit below could inhibit such deductions by the Government.

For these reasons, the action sought to be enjoined was certainly not "impending" (cf. *Pennsylvania* v. *West Virginia*, 262 U. S. 553, 593; *City Bank Farmers Trust Co.* v. *Schnader*, 291 U. S. 24, 34), but only "a mere possibility in the remote future" (cf. *Pierce* v. *Society of Sisters*, 268 U. S. 510, 536). Such considerations operate to preclude the use of the injunctive device as a means of challenging an act of Congress.

B. *Appellant has no interest in preventing compliance by Breeze and Federal with the Royalty Adjustment Orders*

Assuming that the complaints adequately allege the imminence of the action sought to be enjoined, the Government's motions to dismiss would then assume, for the purposes thereof, that the Act and orders are invalid, and that appellant's debtors, Breeze and Federal, are about to pay to the United States a sum called for by the orders, which Breeze and Federal should properly pay to appellant. This situation does not present the requisite grounds for injunctive relief because the payment of the excess royalties to the United States cannot damage appellant.

(1) *Appellant has no proprietary interest.* The complaints in the district courts set up

merely a general indebtedness from Breeze and Federal to appellant (No. 71, R. 5; No. 485, R. 6, 12). There is no contention that this debt is secured by any fund or other *res*, or that defendants, in refunding excessive royalties to the Government, would be utilizing a fund earmarked or set aside for appellant. Thus, appellant is at most an unsecured contract creditor of Breeze and Federal. Moreover, there is no claim that such refund would render Breeze or Federal insolvent, or unable to meet their alleged debt to appellant.[11]

In these circumstances, appellant has no legal interest in whether or not Breeze and Federal comply with the orders. Such compliance would not prevent appellant from recovering the royalties alleged to be due under the license agreement, for payment under an unconstitutional statute constitutes no discharge of another obligation. *International Harvester Co.* v. *Wisconsin Dept. of Taxation*, 322 U. S. 435, 440. And appellant, as "an unsecured simple contract creditor," has "no substantive right, legal or equitable, in or to the property of his debtor" such as would entitle

[11] Indeed, appellant's petition in this Court, filed May 26, 1944, for a stay pending appeal, tends to establish exactly the opposite since it refers to Breeze's annual report for 1943, which according to appellant "shows that [Breeze] is solvent and able to respond to any judgment that may be entered in favor of [appellant] or to comply with the Royalty Adjustment Orders should they be held to be valid."

him to equitable relief; hence his "adjective right is, ordinarily, at law". *Pusey & Jones Co.* v. *Hanssen,* 261 U. S. 491, 497 (suit for appointment of receiver). Without a lien or specific claim on a *res* in the hands of the alleged debtor, and without even a judgment at law covering the claim, appellant may not invoke the powers of a court of equity to protect or enjoin the transfer of any *res* in the hands of the debtor. See *Martin* v. *James B. Berry Sons' Co.,* 83 F. (2d) 857, 860 (C. C. A. 1) and cases cited; *Gillespie* v. *Schram,* 108 F. (2d) 43 C. C. A. 6).

This Court has exercised extreme caution in defining the boundaries of interests in equity which would permit an attack upon a statute. In *Ashwander* v. *Tennessee Valley Authority,* 297 U. S. 288, while preferred stockholders were permitted to maintain a suit to enjoin the corporation from complying with an allegedly unconstitutional statute, this Court pointed out that the action was brought by stockholders who "are not creditors but shareholders (with equal voting power share for share with the common stockholders, according to the findings)" and who thus "have a proprietary interest in the corporate enterprise which is subject to injury through breaches of trust or duty on the part of the directors" (297 U. S. at 321).[15]

[15] *Carter* v. *Carter Coal Co.,* 298 U. S. 238, involving the right of a common stockholder to enjoin the corporation from complying with an allegedly unconstitutional statute, is

(2) *Appellant has an adequate remedy at law.* Appellant does not deny, as the court below observed, that the present action "has for its ultimate object the protection of the plaintiff's contractual right to the royalties fixed by the license agreement and due and to become due thereunder" (No. 71, R. 68). This very right is presently being pursued by appellant against Breeze in an independent action in the District Court of New Jersey (No. 71, R. 20–25), and against Federal in the action in the District Court for the Western District of Pennsylvania (No. 485, R. 5–10). But even if these suits were not pending, the availability of such a remedy is "a plain, adequate, and complete remedy * * * at law" which is fatal to the right to injunctive relief in any federal court. Section 267 of the Judicial Code (28 U. S. C. 384); *Hurley* v. *Kincaid*, 285 U. S. 95, 105; *Schoenthal* v. *Irving Trust Co.*, 287 U. S. 92, 94; *Boise Artesian Water Co.* v. *Boise City*, 213 U. S. 276, 283. In the present case, there can be no doubt, as the New Jersey District Court held (No. 71, R. 68–69), that appellant's remedy at law is both complete and adequate.

A striking parallel to the instant case is furnished by *Moor* v. *Texas and New Orleans R. R. Co.*, 297 U. S. 101. There a cotton producer sought a mandatory injunction to compel a rail-

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therefore not an authority for the instant suit. Also distinguishable is *Z. & F. Assets Realization Corp.* v. *Hull*, 311 U. S. 470 (action by lienor).

road to accept certain shipments of cotton which lacked bale tags required by the Bankhead Cotton Control Act, contending that Act to be unconstitutional. The lower court held that the producer had failed to make a case for equitable relief and should be left to his remedy at law for damages (75 F. (2d) 386, 388):

> * * * For a wrongful refusal by the [railroad] to accept and transport lawful goods duly tendered by the [producer], the latter had his action at law for damages resulting to him from that wrong. * * * In the absence of any allegation as to the solvency or insolvency of the [railroad], it is presumed to be solvent and subject to be coerced into paying damages adjudged against it in favor of [the producer].

This Court dismissed the writ of certiorari as "improvidently granted," approving the lower court's determination as to the adequacy of the legal remedy and the consequent unavailability of equitable relief (297 U. S. at 105). So here, if appellant's contention as to the invalidity of the Act and orders is well taken, payment by Breeze and Federal as directed by the Royalty Adjustment Orders will not discharge their alleged debt to appellant, and will not prejudice their ability to pay any judgment obtained by appellant in the pending suits.[16] Here, indeed, appellant's legal remedy is even more clearly adequate, since it would not be a substituted claim for damages but

[16] See note 14, p. 27, *supra*.

a claim for an agreed money payment. As an alleged contract creditor, appellant's "only substantive right" is "to have his debt paid in due course," and his "adjective right is, ordinarily, at law. He has no right whatsoever in equity until he has exhausted his legal remedy." *Pusey & Jones Co.* v. *Hanssen*, 261 U. S. 491, 497.

(3) *Prejudice to Breeze and Federal, if any, is immaterial.* As we have shown, neither Breeze nor Federal need suffer as a result of the Royalty Adjustment Orders, for they need not pay either appellant or the United States until an adjudication is had as to the validity of the Act;[17] and if the United States withholds funds otherwise due those companies, they will have a right to recover the withheld amounts. But even if Breeze or Federal might be prejudiced as a result of compliance with the orders, that fact creates no equity in appellant's favor nor justifies the instant suit.

In order to invoke "the preventive powers of a court of equity," a litigant must show that the threatened action invades a right which he possesses and to which the law affords protection. *Alabama Power Co.* v. *Ickes*, 302 U. S. 464, 478; *Tennessee Power Co.* v. *Tennessee Valley Authority*, 306 U. S. 118, 137–138. He must rely upon an invasion of his own constitutional rights (*Austin* v. *The Aldermen*, 7 Wall. 694; *Fairchild* v.

[17] On August 1, 1944, the Act was held valid by the Circuit Court of Appeals for the Third Circuit. See note 2, p. 7, *supra*.

Hughes, 258 U. S. 126); he may not urge the interest of another (*Tyler* v. *Judges of the Court of Registration*, 179 U. S. 405; *Massachusetts* v. *Mellon*, 262 U. S. 447, 488; *New York ex. rel. Hatch* v. *Reardon*, 204 U. S. 152).

These factors—absence of sufficient immediacy of the action sought to be enjoined, absence of legal interest in appellant in whether defendants comply with the orders, and adequacy of remedy at law—combine to preclude any right to an injunction in the circumstances of the instant cases. As was said in *Arkansas Building Association* v. *Madden*, 175 U. S. 269, 274:

> It is quite possible that in cases of this sort the validity of a law may be more conveniently tested, by the party denying it, by a bill in equity than by an action at law; but considerations of that character, while they may explain, do not justify, resort to that mode of proceeding.

II

THERE IS NO ADVERSITY OF INTEREST BETWEEN PLAINTIFF AND DEFENDANTS AS TO THE CONSTITUTIONALITY OF THE ACT AND ORDERS

A. *There is no antagonistic assertion of rights with respect to an injunction*

Focussing upon the defendants instead of the plaintiff, we submit that the present suits do not present such adverse interests as this Court has deemed essential for the determination of the constitutionality of an act of Congress.

In the New Jersey suit, before the court below ruled on the Government's motion to dismiss the complaint, Breeze answered that it did not owe any royalties to either appellant or the United States, and that whether the Royalty Adjustment Act "is valid or invalid is a matter which is immaterial to this defendant for the reason that it owes the plaintiff no money as royalties or otherwise" (No. 71, R. 56).[18] In the Pennsylvania suit, the answer filed by Federal took no position as to the allegations in the complaint that the Act and orders were invalid (No. 485, R. 58), admitted that certain royalties were due under the license, but asserted that payment thereof to appellant was prohibited by the Royalty Adjustment Orders except the amounts provided in said Orders, which are the amounts and the only amounts admitted to be now due and owing by this defendant. (No. 485, R. 60.) But the undeniable fact is that neither Federal nor Breeze has any interest in sustaining the Royalty Adjustment Act and the orders issued thereunder against attack in the injunctive proceedings. While appellant may benefit from a declaration that the Act and orders are unconstitutional, this is wholly immaterial either to Breeze, which denies it owes any royalties, or to Federal, which admits it owes some. If

[18] While Breeze's answer is not strictly pertinent to the dismissal of appellant's complaint by the court below, on motion of the United States made prior to the answer, that pleading is a reliable guide to the extent of Breeze's interest in the validity of the Act and orders.

the royalties were properly reduced under the Act, royalties up to $50,000 per year will be payable to appellant, the balance to the United States. If the Act and orders are invalid, all will be payable to appellant. In neither case will Breeze or Federal suffer, for the Act permits reduction only of royalties charged or chargeable directly or indirectly to the United States (Secs. 1, 4); hence under their contracts with the United States and with other Government contractors, royalties properly paid by Breeze or Federal will be passed on to the United States.[19] Consequently, whether all the royalties are due to appellant, or whether they must be paid in part to appellant and in part to the Government, Breeze and Federal will suffer no loss or damage. And neither company is under any duress to comply with the Act; there is no fine or penalty for failure to repay the excessive royalties to the Government.[20]

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[19] Neither Breeze nor Federal can benefit from the royalty reduction since it will be inapplicable to commercial transactions not involving the United States.

[20] At the date of the filing of this brief, neither Breeze nor Federal has complied with the Royalty Adjustment Orders. If Breeze and Federal voluntarily comply with the orders by paying the royalties in question to the Treasurer of the United States, a subsequent declaration that the Act and orders are invalid, which would obligate Breeze and Federal to pay the same royalties to appellant, would not prejudice them. For the Royalty Adjustment Board has advised us that in "cases in which the amounts due the Government under orders of the Board are uncertain or disputed or otherwise in doubt," the Board will arrange to "have any monies paid in such cases deposited in a 'Special Deposit' account pending de-

Indeed, so far from having any interest in defending the Act and orders against attack, both Breeze and Federal would profit by the issuance of an injunction, particularly one *pendente lite*, since the restraint would permit them to defer payment of conceded obligations.

The conduct of Breeze and Federal in the proceedings below confirms their unconcern in the outcome, their preference for the issuance of interim restraint, and the general nonadversary character of the suit. The only affirmative action taken by Breeze throughout the entire proceeding below was the filing of an answer denying it owed royalties to either appellant or the United States and stating that the validity of the Act and orders was "immaterial" to it. Breeze did not participate in the oral argument before the court below, filed no briefs, and made no effort to argue for the Act or orders. Likewise, Federal, while set-

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termination of the rights of the Government and the licensor to such funds," and "that upon a final determination of the rights of the Government and the licensor to such funds, disbursements of the funds in the 'Special Deposit' account could be made pursuant to an administrative direction of the Board * * *." See Appendix C, *infra*, pp. 80–81. Cf. *Kingan & Co.* v. *Smith*, 12 F. Supp. 329, 331 (S. D. Ind.), where a similar procedure was adopted. The Board also advises us that in the instant case, pursuant to direction of the Board, $59,942.60 has been withheld from Breeze from moneys due it on Government contracts (as of September 4, 1944), and that if "it is later determined that the withholding is improper, the contractor is entitled under his contract to receive the sums so withheld." Appendix C, *infra*, p. 80.

ting up the Act and orders as a defense to nonpayment of royalties to appellant, took no position as to their validity, and did not argue or file a brief on the constitutional question.[21]

Circumstances such as these have led this Court to decline to rule upon the constitutionality of federal enactments because of the nonadversary nature of the proceeding. In *Chicago & Grand Trunk Railway Co.* v. *Wellman*, 143 U. S. 339, a state statute compelled a passenger rate reduction, and on the day the law took effect, a passenger applied for a railroad ticket at the reduced rate, which was refused by the carrier. The passenger immediately commenced suit to compel issuance of the ticket and to determine the validity of the statute on an agreed statement of facts plus the testimony of two witnesses for the railroad; the railroad conceded that the suit was friendly but insisted there was no fraud in presenting the testimony. This Court nevertheless held that the state court, which had affirmed a money judgment for the plaintiff, had properly refused to pass upon the Act's validity (143 U. S. 344, 345):

> The theory upon which, apparently, this suit was brought is that parties have an appeal from the legislature to the courts; and that the latter are given an immediate and general supervision of the constitu-

[21] Both the New Jersey and the Pennsylvania courts called for argument and briefs as to the validity of the Act and orders. Appellant presented argument and briefs against validity; the Government presented argument and briefs to the contrary.

> tionality of the acts of the former. Such is not true. Whenever, in pursuance of an honest and actual antagonistic assertion of right by one individual against another, there is presented a question involving the validity of any act of any legislature, State or Federal, and the decision necessarily rests on the competency of the legislature to so enact, the court must, in the exercise of its solemn duties, determine whether the act be constitutional or not; but such an exercise of power is the ultimate and supreme function of courts. It is legitimate only in the last resort, and as a necessity in the determination of real, earnest and vital controversy between individuals. It never was thought that, by means of a friendly suit, a party beaten in the legislature could transfer to the courts an inquiry as to the constitutionality of the legislative act.

Likewise, in *Moor* v. *Texas and New Orleans R. R. Co.*, 297 U. S. 101, *supra*, p. 29, the defendant railroad filed an answer invoking the Act as a defense, but its participation in the proceedings was of a most perfunctory character. It introduced no evidence in the district court and did not appear before the circuit court of appeals (297 U. S. 105; Record in No. 49, October Term, 1935, p. 76). The Fifth Circuit Court of Appeals, in sustaining the trial court's dismissal of the bill, pointed not only to the adequacy of the shipper's legal remedy, but also to "the absence from the suit of any party defendant having a beneficial interest in resisting

the claim asserted, with the probable result of the court being deprived of the benefit of an adequate presentation of reasonably controversial objections to the granting of the relief sought" (75 F. (2d) 386, 390). This Court dismissed the writ of certiorari but approved the denial of injunctive relief (297 U. S. at 105).

It is submitted that the principles of the *Wellman* and *Moor* cases are applicable here. While both of those cases involved a dispute between the parties (in the *Wellman* case, the proper price of a railroad ticket; in the *Moor* case, whether the railroad could refuse to accept the cotton for shipment); the real issue in those cases—the constitutionality of the statute—remained uncontested. So here, while appellant and respondents Breeze and Federal may differ as to whether unpaid royalties are due under the license agreement, they are not at effective odds as to the constitutionality of the Royalty Adjustment Act and the orders issued thereunder. Since the latter issue is not shown herein to involve "an honest and actual antagonistic assertion of rights by one individual against another," there is no more warrant for deciding the constitutional question here than was found in the *Wellman* or *Moor* cases.

Appellant argues (Br. 21) that the Pennsylvania action is "a case or controversy between the appellant and Federal, not merely as to the amount due under the contract but also as to the validity and effect of the Royalty Adjustment orders," be-

cause Federal's answer admitted that some $180,000 was due from it under the 1932 license but asserted that the orders prohibit payment except as therein provided (No. 485, R. 60). This argument overlooks the fact that Federal's answer was not addressed to the injunctive portion of the complaint. The answer was filed after the court below had dismissed, on motion of the United States, the portions of appellant's complaint which sought injunctive relief (No. 485, R. 64–65). The order of dismissal left intact the remainder of the complaint (to which the United States had directed no motion or pleading),[22] seeking an accounting, money judgment, and cancellation of the license. It was to these portions of the complaint, still pending in the court below, that Federal filed its answer on August 8, 1944 (No. 485, R. 64), one week after the dismissal of the injunctive portions of the complaint.[23] Insofar as the answer asserts the Act and orders as a defense to appellant's claim, the Government does not contend that the issue of constitutionality cannot be tried out on

[22] The United States, in its brief below in support of its motion to dismiss the injunctive portions of appellant's complaint, stated that it "takes no position and expresses no opinion" as to the noninjunctive relief sought by appellant.

[23] Appellant's brief suggests that the answer of Federal was filed prior to the dismissal of the injunctive portions of appellant's complaint (Br. 13–14). The record shows the opposite to be true (No. 485, R. 52–53, 64–65, 54–64). That Federal's answer was filed on August 8, 1944, appears from the Clerk's notation on that answer (No. 485, R. 64).

such pleadings, in the suit for a money judgment. For in such a situation the defendant must plead the Act and orders as a defense, or run the risk of double liability. It is true that even in that situation the defendant would not be substantially concerned with the outcome, upon intervention by the United States, since he would pay royalties only once upon the basis of the final decision; but since the defendant would have properly pleaded the Act and orders as a defense, as a matter of his own protection, and since the Government under the 1937 Act may supply whatever conviction may be lacking in the defendant's support of the statute, we believe that the issue of constitutionality would remain justiciable in such litigation upon intervention of the United States.

In an injunctive suit, on the other hand, the interest of the defendants is ambivalent. Temporary restraint against payment to the Government would hardly be resisted by the defendants. Permanent restraint might be resisted only if it were deemed to carry with it a binding determination that royalties were due to the plaintiff, and if the Government would not be bound by that determination. But against this risk there would be weighed the unlikelihood of the same or another court requiring the defendants to make payment in the face of a prohibitory injunction and thus compelling them to commit a contempt. This balance of hypothetical interests falls short of that definitely antagonistic assertion of rights which

must attend the adjudication of constitutional issues. Certainly this is so where, as has been pointed out, the plaintiff himself stands in no need of the relief sought.

Moreover, the possibility of double liability can be forestalled by the defendants. They may seek a restraining order or a stay to suspend the suit by the patent owner for royalties until the Government intervenes, or the validity of the Act has been adjudicated in a suit to which the Government is a party. This would impose no hardship upon the plaintiff or defendants, since a suit binding the United States would include not only one in which it intervened pursuant to the 1937 Act, or one brought by it to recover the refund of royalties due under the Royalty Adjustment Orders, but one brought by the defendant itself to recover payments concededly due from the Government under other contracts but withheld, as some have in fact been in the present case, as a means of collecting the refunds under the orders. In *Landis v. North American Company*, 299 U. S. 248, this Court approved a stay of proceedings to abide proceedings in another court, although the parties were not the same and the issues not identical; the interest in an orderly determination of a constitutional question justified the stay. In the present case, particularly since the defendants themselves have it in their power to secure an adjudication of the constitutional question in an action against the United States to recover withheld

funds, an interim stay or restraining order suspending the plaintiff's suit, on condition that the defendants diligently prosecute suit against the Government, would appear to be as plainly justified. Consequently, any possibility of double liability on the part of the defendants—a circumstance which under any conditions would not be an equitable consideration which the plaintiff could assert—could be obviated by suitable action.

The intervention of the United States did not create the requisite "case or controversy" which was wanting because of the lack of genuinely adverse interests. The Government intervened in the suits below in response to a certification that the constitutionality of an Act of Congress had been challenged in a "suit or proceeding" or to which the Government was not a party. The 1937 Act under which both certification and intervention took place was designed to protect the interests of the public in legislation under attack in a suit in which there was no governmental representation, and to eliminate the dangers of one-sided or friendly litigation instituted to obtain a decision against the constitutionality of an Act of Congress.[24] One obvious way of defending

[24] Cf. *Burco Inc.* v. *Whitworth*, 81 F. (2d) 721 (C. C. A. 4), certiorari denied, 297 U. S. 724. That case, in which the Government urged, as *amicus curiae*, that the interests of the parties were not truly adverse and that the validity of the Public Utility Holding Company Act should not be determined therein, was referred to in the debates preceding the enactment of the Act of August 24, 1937. See 81 Cong. Rec. 8272.

an Act of Congress—a method open to any litigant—is to point out a want of jurisdiction in the court. If no "case or controversy" is presented by the suit in which the federal statute is assailed, the statute may be saved merely by calling that defect to the court's attention. Because the Government cannot risk the possibility that neither party may raise that jurisdictional ground, it must intervene in order to do so. Intervention cannot, however, cure the jurisdictional defect. The 1937 Act was not intended to stimulate attacks upon federal statutes through proceedings over which the courts normally have no jurisdiction.

In *United States* v. *Johnson*, 319 U. S. 302, the United States intervened under Section 1 of the 1937 Act, in a collusive suit arranged by landlord and tenant in order to test the constitutionality of the Emergency Price Control Act. When the collusive nature of the litigation was brought to the attention of this Court, the suit was dismissed despite the intervention and the adverse interests of the Government and the plaintiff. The "right to intervene presupposes an action duly brought, and if jurisdiction is lacking at the commencement of the suit, it cannot be aided by * * * intervention;" nor may intervention "be regarded as an original proceeding for the purpose of sustaining jurisdiction from the date the petition to intervene was granted." *Pianta* v. *H. M. Reich Co.*, 77 F. (2d) 888, 890 (C. C. A. 2). See also

Texas Cement Co. v. *McCord,* 233 U. S. 157. Particularly in constitutional cases, as the *Johnson* decision makes clear, intervention by the United States does not cure the want of adverse interests with respect to the relief sought; the importance of the preliminary questions causes the case to remain an unsuitable and unsafe vehicle in which to proceed to the decision of the constitutional issues. In "the absence of a genuine adversary issue between the parties," a court "may not safely proceed to judgment, especially when it assumes the grave responsibility of passing upon the constitutional validity of legislative action." *United States* v. *Johnson,* 319 U. S. 302, 304.

B. *The Federal Interpleader Act does not apply*

Although not raised by the court or any of the parties to the proceedings in the courts below, the nature of this case and the relationship of the parties warrants some discussion of the relevance of the Federal Interpleader Act (c. 13, 49 Stat. 1096; 28 U. S. C. 41 (26)).

The Interpleader Act gives jurisdiction to federal district courts over "suits in equity begun by bills of interpleader or bills in the nature of bills of interpleader" filed by persons possessing property of the value of $500 or more if—

(1) Two or more adverse claimants, citizens of different States, are claiming to be

> entitled to such money or property * * *; and
>
> (ii) The complainant (a) has deposited such money or property * * * into the registry of the court * * * or (b) has given bond payable to the clerk of the court in such amount. * * *

The district court is then empowered "to issue its process for all such claimants and to issue an order of injunction" enjoining them from "instituting or prosecuting any suit or proceeding" in any State or Federal court "on account of such money or property" (subsec. (c)). After hearing the merits of the controversy between the interpleaded parties, the court may then "discharge the complainant from further liability" and make the injunction permanent (subsec. (d)). The Act permits interpleader to be used by a defendant "by way of equitable defense" in the same manner as would entitle such person "to file an original or ancillary bill of interpleader or bill in the nature of interpleader" (subsec. (e)). Rule 22 (1) of the Federal Rules of Civil Procedure, implementing the Act, provides that it shall not be ground for objection to interpleader that the stakeholder "avers that he is not liable in whole or in part to any or all of the claimants," and permits a "defendant exposed to similar liability" to obtain such interpleader by way of cross-claim or counterclaim.

This statute is inapplicable here for several reasons. (1) The parties corresponding to the

stakeholder are here Breeze or Federal, and neither of them has sought to interplead the United States and appellant, or offered to pay the disputed royalties to the Clerk of the court below. Moreover, at least one of the debtors here—Breeze—denies owing any royalties to either appellant or the United States (No. 71, R. 56) and might not be willing to invite conflicting claims against it for moneys alleged not to be due to anyone.

(2) Neither the Interpleader Act nor the equitable nonstatutory interpleader permits a creditor like appellant on his own motion to interplead his debtor and an opposing creditor, here the United States. The interpleader device is designed to protect a stakeholder threatened with conflicting claims, and not an alleged creditor, who is in no sense a stakeholder of the debtor's property.

(3) There is no authority in the Interpleader Act or otherwise, for the court to "issue its process" to interplead the United States as a party to such a proceeding or to enjoin the United States from proceeding in any other forum against the stakeholder (subsec. (c)). The effect of such an interpleader would be that of a suit against the United States to which it had not consented, and the Federal Interpleader Act does not permit the interpleading of a Government which has not waived its sovereign immunity. In *Worcester County Co.* v. *Riley*, 302 U. S. 292, 300, an

attempted interpleader against officers of political subdivisions of states to settle rival claims to death taxes was held to be an unauthorized suit by an individual against the states, which the Eleventh Amendment forbids. Cf. *United States* v. *Shaw*, 309 U. S. 495. The Act of August 24, 1937, in facilitating intervention by the United States in constitutional cases, did not, of course, enlarge the consent of the United States to be sued.

C. *The prayer for a declaratory judgment does not cure the jurisdictional defect*

Paragraph 3 of the complaint in the New Jersey suit (No. 71, R. 8) may perhaps be read as a request for a declaratory judgment. If this was intended to invoke the Federal Declaratory Judgment Act (Act of June 14, 1934, 48 Stat. 955; 28 U. S. C. 400), although that Act was nowhere cited, this would not add to the jurisdiction of the court below to grant relief. That Act applies only to "cases of actual controversy" in the district courts, a phrase which "has regard to the constitutional provision and is operative only in respect to controversies which are such in a constitutional sense." *Aetna Life Ins. Co.* v. *Haworth*, 300 U. S. 227, 239–240. Being procedural only, the Federal Declaratory Judgment Act does not enlarge the jurisdiction of the district courts. *Ashwander* v. *Tennessee Valley Authority*, 297 U. S. 288, 324, 325; *Electric Bond & Share Co.* v. *Securities and Exchange Commission*, 303 U. S. 419, 443.

III

THE PENNSYLVANIA INJUNCTION PROCEEDINGS WERE BARRED UNDER PRINCIPLES OF RES JUDICATA.

As shown in our Statement of Facts (supra, pp. 12–13), appellant sought several types of relief in his complaint filed against Federal in the District Court for the Western District of Pennsylvania:[25] (1) an injunction to restrain Federal from paying royalties, alleged to be due appellant, to the Treasurer of the United States in compliance with the provisions of the Royalty Adjustment Orders, on the ground that the Act and orders are invalid (No. 485, R. 11, par. 32 (3)); (2) an accounting and judgment for royalties allegedly owing to appellant by Federal under the license (No. 485, R. 4–5, 11, 12, pars. 16–17, 32 (1), 32 (2), 35); and (3) termination of the license agreement for violations thereof (No. 485, R. 11, par. 32 (5)). As to the noninjunctive relief, the United States took no position in the court below, and does not do so now.[26] The court below dismissed the portions of the complaint relating to injunctive relief (No. 485, R. 7–11, pars. 24–30, 32, and subparagraphs (3) and (4) of paragraph 32)

[25] While Breeze was named as a party defendant, it was not served and entered no appearance.

[26] After the court dismissed the injunctive portions of the complaint on August 1, 1944 (No. 485, R. 64), Federal filed an answer dated August 8, 1944, admitting that it owed appellant $180,230.44 under the license agreement but asserting the Act and orders as a defense to payment of any sum not authorized by the orders (No. 485, R. 54–60).

because the relief sought by appellant therein was "not to be distinguished" from the relief sought by him in the New Jersey suit (No. 485, R. 64). This determination of the Pennsylvania court is clearly proper, not only because the right to an injunction in that suit must fail for all the reasons applicable to the New Jersey injunction suit, but also because the decision in the New Jersey suit was *res judicata* as to the Pennsylvania suit, and precluded its maintenance.

A. *The joining of the causes of action for an injunction with those for other types of relief does not supply defects in equitable jurisdiction*

That the allegations and prayer for injunctive relief are joined with those for a money judgment, an accounting and cancellation, does not supply the deficiencies which would prevent the exercise of equitable jurisdiction. An injunction requires a showing of inadequacy of legal remedy and the danger of irreparable injury; these requirements are obviously not met by prayers for additional relief, however merited the latter may be. The function of an injunction as ancillary to other relief is a restricted one, and is normally exercised only where it is required to make the other relief effective. In *Gillespie* v. *Schram,* 108 F. (2d) 39 (C. C. A. 6), a receiver of a national bank brought suit for an accounting against the administratrix of a deceased stockholder's estate to determine the share of a bank stock assessment which the estate should bear; and as ancillary to this, the receiver

also sought an injunction to restrain the administratrix from closing administration and distributing the assets without making provision for the payment of a stock assessment. The injunction was denied, the court saying (108 F. (2d) at 42):

> Appellee's right to injunction must fail as an ancillary aid to his main relief because there is no fact alleged showing that he lacks an adequate and complete remedy at law or will suffer irreparable injury. * * *
>
> * * * * * *
>
> * * * Chancery cannot be appealed to until the creditor has faithfully exhausted all his remedies at law and will not take original cognizance of mere collection of debts but acts as an auxiliary to courts of law where their processes fail to supply the remedy because intercepted or defeated by some inequitable act of the parties. *Scott* v. *Neely*, 140 U. S. 106, 117 * * *; *Hollins* v. *Brierfield Coal & Iron Co.*, 150 U. S. 371, 381 * * *; *Adler et al* v. *Fenton*, et al., 65 U. S. 407, 411 * * *.

B. *The Judgment of the Three-Judge Court in New Jersey Was Res Judicata as to Injunctive Relief in the Pennsylvania Suit*

The doctrine of *res judicata* is of course as applicable to judgments and decrees in equity as to those at law. *Sibbald* v. *United States*, 12 Pet. 488, 492; *Hopkins* v. *Lee*, 6 Wheat. 109, 113–114. It extends "to questions of jurisdiction as well as to other issues, as well to jurisdiction of the

subject matter as of the parties." *Treinies* v. *Sunshine Mining Co.*, 308 U. S. 66, 78. And the pendency of an appeal from a judgment does not prevent it from being *res judicata*. *Cohen* v. *Superior Oil Corp.*, 90 F. (2d) 810 (C. C. A. 3), certiorari denied, 302 U. S. 726; *Simonds* v. *Norwich Union Indemnity Co.*, 73 F. (2d) 412 (C. C. A. 8).[27]

The "essential conditions" to the application of the doctrine of *res judicata* are "the identity of the thing demanded, the identity of the cause of the demand, and of the parties in the character in which they are litigants." *Washington, A. & G. Steam-Packet Co.* v. *Sickles*, 24 How. 333, 341, 342. We believe that these "essential conditions" applied to the Pennsylvania suit, and that the judgment of the three-judge court in New Jersey, denying appellant's prayer for an injunction and dismissing his complaint, was *res judicata* as to the Pennsylvania suit insofar as it sought the relief denied in New Jersey.

1. *Identity of Relief Sought.* In his Pennsylvania complaint appellant sought an injunction to restrain Breeze and Federal "from in any way complying with the terms of Royalty Adjustment Orders designated as Nos. W–9 and N–7, and es-

[27] It is only when reversed on appeal that a judgment loses its efficacy. *Cohen* v. *Superior Oil Corp.*, *supra*, at 812. Here the order of the three-judge court denying appellant an injunction was final, and this Court thereafter refused to grant a temporary injunction pending disposition of the appeal.

pecially from paying over to the Treasurer of the United States * * * such royalties as have accrued and are continuing to accrue to plaintiff from and after the date of said orders" (No. 485, R. 11, par. 32 (3)). In the complaint in the New Jersey injunction suit, appellant likewise prayed for an injunction to restrain Breeze and Federal "from complying with paragraph (3) of Royalty Adjustment Order No. W–9 and * * * No. N–7, and in particular from paying * * * to the Treasurer of the United States or to any other person * * * than the plaintiff, pursuant to the command" of said Orders, any royalties due to appellant or which thereafter become due (No. 71, R. 7).

2. *Identity of Grounds for Relief.* Both the complaint in the Pennsylvania suit and the complaint in the New Jersey injunction suit charged that all royalties which have accrued or may hereafter accrue under the license agreement are due to appellant; and that the Royalty Adjustment Act and Royalty Adjustment Orders Nos. W–9 and N–7 are null and void. The complaint in the New Jersey suit categorically charged that the Act and Orders are unconstitutional because, *inter alia*, they take appellant's property without just compensation in contravention of the Fifth Amendment; because the Act "attempts to deprive the plaintiff of all remedy * * * against the defendants for the payment of the royalties" and "relegates the plaintiff to an action

against the United States" for "fair and just compensation," giving the United States the right to a defense (invalidity) which "would not be open or available to the defendants herein" (No. 71, R. 5–6). The complaint in the Pennsylvania action charged "that there is no authority in the Royalty Adjustment Act" for an order "requiring either defendant herein to pay plaintiff's money to the Treasurer of the United States;" that such requirement in the Royalty Adjustment Orders is unauthorized by the Act "and to that extent is null and void;" and "that the cause of action pretended to be given him by said Royalty Adjustment Act to sue the United States in the Court of Claims is not an adequate substitute for the rights that have accrued and are accruing to him under his contract aforesaid and are destructive of said contract" (No. 485, R. 9–10, par. 30).[28]

While the attack upon the Act in the Pennsylvania complaint was not as unequivocal as that in the New Jersey complaint, there is no doubt that

[28] The similarity between the two complaints may be seen from the following chart comparing the complaint filed by the appellant in the Pennsylvania suit (No. 485, R. 1–12), and the complaint filed by the appellant in the New Jersey suit (No. 71, R. 1–8).

Subject Matter	Pennsylvania Complaint	New Jersey Complaint
Factual background	Pars. 1-8	Pars. 1-4.
Royalties are due Coffman	Pars. 19-23, 34	Pars. 5-7, 9.
Royalty adjustment proceedings	Pars. 24-26	Pars. 8, 10, 11.
The Act and Orders are invalid	Pars. 27-28, 30-31, 32	Par. 12.

appellant there assailed the validity of the Act and the Orders and sought a judicial declaration of invalidity. This clearly appeared from the complaint (No. 485, R. 11, par. 32 (4)), which asked that a three-judge court be convened and that the Attorney General be notified "of a hearing on this bill, all as required by the act of Congress of August 24, 1937, 8 U. S. C., Title 28, Sec. 380a." And the order issued in the Pennsylvania case by Judge Gibson on June 14, temporarily restraining compliance with the Royalty Adjustment Orders, refers to a prayer in the complaint for a declaration that the Royalty Adjustment Act is unconstitutional, and orders that a copy of the complaint and restraining order be served upon the Attorney General and the United States Attorney (No. 485, R. 47).

In the Pennsylvania complaint appellant alleged that he will suffer "irreparable damage" unless defendants are enjoined from complying with the Orders, and that his remedy at law is inadequate (No. 485, R. 10, par. 32). While these allegations are absent from the New Jersey complaint, it is obvious that the operative facts and circumstances underlying the alleged "irreparable damage" were the same at the time of the Pennsylvania suit as they were when the New Jersey suit was brought. Breeze and Federal had not at the time of the New Jersey suit, had not at the time of the Pennsylvania suit, and have not yet, paid any royalties covered by the Orders to either

appellant or to the United States. The New Jersey accounting suit was then and still is pending, and the United States did not direct any motion toward the accounting aspects of the Pennsylvania suit. If the Act and Orders are unconstitutional, as appellant charges, he was as free at the time of the Pennsylvania suit as he was when the New Jersey suit was decided, and as he is now, to prosecute his accounting suits to judgment against Breeze and Federal for any royalties due him.

The three-judge court in New Jersey, in dismissing the complaint, relied upon the adequacy of appellant's legal remedy against defendants for accrued royalties if the Act is unconstitutional (No. 71, R. 68–69). Obviously, appellant could not evade the salutary principle of *res judicata* by making different conclusory allegations based upon identical facts. For it is settled that "mere allegations of irreparable injury will not suffice to warrant an injunction. Facts must appear on which the allegation is predicated." *Electric Bond & Share Co.* v. *Securities & Exchange Comm.*, 92 F. (2d) 580, 593 (C. C. A. 2), affirmed 303 U. S. 419.

There was thus an identity of the facts and reasons adduced in the New Jersey and Pennsylvania suits to support the injunctive relief sought.

3. *Identity of Parties.* Both the New Jersey injunction suit and the Pennsylvania suit were instituted by Coffman against Breeze and Federal. While Federal was served in the Pennsylvania

suit, and was not served and did not appear in the New Jersey suit, that fact did not prevent the New Jersey judgment from being *res judicata* in the Pennsylvania court in view of the privity between Breeze and Federal.

Appellant himself alleges, in both the New Jersey and Pennsylvania complaints, that Breeze "purchased all of the issued and outstanding common capital stock of * * * Federal * * * and became, has been and now is the sole owner thereof and dominates and controls all the business and policies of defendant Federal * * * as the sole owner of such corporation" (No. 485, R. 2; No. 71, R. 2). Moreover, Federal in 1937 and in 1939 employed Breeze to manufacture devices under Coffman's patent on the basis of cost plus 10% and appointed "Breeze as exclusive sales agent and distributor for Coffman starters, accessories and cartridges" (No. 485, R. 61–64). This close relationship between Breeze and Federal, and the former's full control and ownership of the latter, make them one and the same for purposes of the application of the doctrine of *res judicata*. Indeed, these elements of privity would justify binding Federal by a judgment against Breeze even if Federal were not named as a defendant, for a judgment is *res judicata* in a second action upon the same claim, not only where the second suit is between the same parties, but also where it is between those in privity with them.

This Court has in fact applied the principle of *res judicata* to circumstances strikingly similar to those here involved. In *Hart Steel Co.* v. *Railroad Supply Co.*, 244 U. S. 294, a patent infringement suit was brought in the Seventh Circuit by the patent owner against Hart Steel Co., a manufacturing company, and Wood, the company's manager. The Hart Co. was the selling agent of the Elyria Iron and Steel Co., which owned all the capital stock of the Hart Company. Three months later, the same plaintiff commenced a second patent infringement suit in the Sixth Circuit against the Elyria Co. The two bills differed only as to the parties defendant, and the same defenses were relied upon in each case. In each case the district court held that there was no infringement, and in each case the plaintiff appealed to the proper circuit court of appeals. The Sixth Circuit Court of Appeals rendered its decision first, affirming the judgment for defendant in the suit against Elyria. The Hart Co. and Wood, defendants in the Seventh Circuit suit, thereupon moved the Seventh Circuit Court of Appeals for a dismissal on the ground of *res judicata*. This motion was denied, and the circuit court of appeals then reviewed and reversed the decision of the district court. This Court held this to be error, because the decision of the C. C. A. 6th was *res judicata* as to the suit in the Seventh Circuit; and ruled that the motion to dismiss should have been granted. The Court, through Mr. Justice Clarke, stated (pp. 298–299):

> There can be no doubt from the record before us that the Elyria Company owned all of the capital stock of the Hart Company, that the latter company was a mere sales agent of the former, that Wood was the salaried manager of the latter, that both the Hart Company and Wood were agents subject to the control of the Elyria Company and that in selling the tie-plates and as defendants in the litigation they acted wholly under the authority and in the interest of their principal. Identity of interest could not be clearer or closer than it was between the defendants in the two cases,—they represented precisely the same, single interest, and the Hart Company and Wood as agents of the Elyria Company were obviously and necessarily privies to the judgment rendered in its favor in the Circuit Court of Appeals for the Sixth Circuit. * * *

This case would seem controlling in the instant case. The same privity exists here between Breeze and Federal, in view of Breeze's ownership of the capital stock of Federal, and their relationship of principal-sales agent.

There being identity of issues and subject matter, and the requisite privity of parties, the decision of the three-judge court in New Jersey, under the rule in the *Hart Steel Co.* case, was *res judicata* in the Pennsylvania action even though Federal was not served in the New Jersey action. Federal's refusal to appear voluntarily in the New Jersey injunction suit cannot defeat applica-

tion of the doctrine of *res judicata,* "a rule of fundamental and substantial justice" (*Hart Steel Co.* v. *Railroad Supply Co.,* 244 U. S. at 299). For the close relationship between Federal and Breeze was sufficient to subject Federal to a duty to appear and defend its interests in the suit. Cf. *Robbins* v. *Chicago City,* 4 Wall. 657, 672.

IV

THE JURISDICTION OF THE COURTS BELOW AND OF THIS COURT UNDER THE ACT OF AUGUST 24, 1937

This Court, by its orders entered May 22 and October 16, 1944, postponed further consideration of the question of its jurisdiction to the hearing of the cases on the merits. Accordingly, although we pressed no objections to jurisdiction in the lower courts, save the want of a case or controversy, we shall discuss the application to these cases of section 3 of the Act of August 24, 1937, c. 754, § 3, 50 Stat. 752, 28 U. S. C. 380a.

Appellant's application to enjoin the defendants Federal and Breeze from complying with the Royalty Adjustment Orders on the ground that the Royalty Adjustment Act under which they were issued is unconstitutional, was in each case heard and determined by a specially constituted three-judge district court designated pursuant to Section 3 of the Act of August 24, 1937. (See No.

71, R. 61; No. 485, R. 52, 65.) Section 3 of that Act provides, in part:

> No interlocutory or permanent injunction suspending or restraining the enforcement, operation, or execution of, or setting aside, in whole or in part, any Act of Congress upon the ground that such Act or any part thereof is repugnant to the Constitution of the United States shall be issued or granted by any district court of the United States, or by any judge thereof, or by any circuit judge acting as district judge, unless the application for the same * * * shall be heard and determined by three judges, of whom at least one shall be a circuit judge. * * * An appeal may be taken directly to the Supreme Court of the United States upon application therefor or notice thereof within thirty days after the entry of the order, decree, or judgment granting or denying, after notice and hearing, an interlocutory or permanent injunction in such case.

There are two grounds upon which the propriety of convening a district court of three judges in the instant cases and the taking of direct appeals to this Court may possibly be questioned: (1) The injunctions sought in these cases were not against any agency, officer, or employee of the United States; (2) the judgment of the district court for New Jersey and the order of the district court for Western Pennsylvania did not actually

pass on the validity of the act of Congress assailed by appellant.

A. *The three-judge court was proper although the injunction was sought against nongovernment defendants*

The suits were directed solely against private parties. This circumstance does not, in our view, render inapplicable the provisions of Section 3 of the 1937 Act. The terms of the section embrace these cases, since an injunction was sought which would suspend the operation or execution of the Royalty Adjustment Act as it had been directed against the defendants through the administrative orders. This conclusion is strengthened by contrasting the language of section 3 with one of its obvious analogues, Section 266 of the Judicial Code (28 U. S. C. 380). Sen. Rep. No. 963, 75th Cong., 1st Sess. (1937), 4; 81 Cong. Rec. 8703. Section 266, unlike section 3 of the 1937 Act, is expressly limited to suits brought to restrain the execution or enforcement of a state statute "by restraining the action of any officer of such State in the enforcement or execution of such statute * * *." Under Section 266 a suit between private parties, even though having the effect of suspending the operation of a state statute, is not a proper case for three judges. *Oklahoma Gas and Electric Co. v. Oklahoma Packing Co.*, 292 U. S. 386. Moreover, the term "setting aside" appearing in section 3 is not found in sec-

tion 266. This Court has had occasion to point out that variations between section 266 and section 3 of the 1937 Act are deliberate. *Jameson & Co.* v. *Morganthau*, 307 U. S. 171, 173. In that case the Court held that an attack on the validity of an order, not dependent on the invalidity of the basic statute, is not governed by section 3, in view of the omission of the language dealing with that situation which is found in section 266.

Another analogue for section 3 was the Urgent Deficiencies Act of 1913 (28 U. S. C. 47). Sen. Rep. No. 963, 75th Cong., 1st Sess. (1937), 4. That statute similarly prohibits the granting of any "interlocutory injunction suspending or restraining the enforcement, operation, or execution of, or setting aside," any order of the Interstate Commerce Commission unless application is made before a specially constituted three-judge district court. And this Court, in considering the application of the Urgent Deficiencies Act to suits between private parties, has given it a broad construction. In *Lambert Co.* v. *B. & O. R. R. Co.*, 258 U. S. 377, this Court held that an application by a shipper to enjoin a railroad from complying with certain orders of the Interstate Commerce Commission could only be heard by a three-judge district court. Again, in *Venner* v. *Michigan Central R. R. Co.*, 271 U. S. 127, where a minority stockholder sought to enjoin a railroad from purchasing equipment as permitted by a Commission order which the stockholder assailed as invalid,

this Court held that the suit could only be brought under the Urgent Deficiencies Act. In the latter case, this Court observed that the stockholder's prayer that the railroad be enjoined from complying with the order was "equivalent to asking that the order be adjudged invalid and set aside" (271 U. S. at 130). So here, appellant's application to enjoin Breeze and Federal from complying with the Royalty Adjustment Orders on the ground that the underlying Act is invalid, would require the issuance of an injunction "setting aside" the Orders and Act, and would thus seem to be within the coverage of Section 3 of the Act of August 24, 1937.

The legislative history of section 3 throws no direct light on the question. Section 3 of the Act of August 24, 1937, was introduced by the Senate Judiciary Committee after Sections 1 and 2[29] had been thoroughly debated in both the House and Senate, and thus received almost no attention on the floor of Congress. Sen. Rep. No. 963, 75th Cong., 1st Sess. (1937), 4 (Report of the Senate Judiciary Committee on H. R. 2260). But from

[29] Section 1 of that Act provides for the intervention of the Government in any suit or proceeding in which the constitutionality of an act of Congress is "drawn in question" in any court of the United States. Section 2 provides that an appeal may be taken directly to the Supreme Court of the United States by the United States in any suit in which "the decision is against the constitutionality of any Act of Congress."

the discussion of other bills introduced to effect a similar purpose[30] the conclusion may be drawn that the evil sought to be cured was the risk of a wasteful suspension of the operation of Government agencies by the decision of a single judge.[31]

For practical purposes, with which Congress was concerned, the issuance of an injunction suspending compliance with a federal statute on the ground of its unconstitutionality is not to be distinguished from the issuance of an injunction directed in terms against enforcement by federal officers. The safeguard which a court of three judges was deemed to provide against ill-considered action by a single judge is important in either type of case. Indeed, one of the most vexatious problems with which Congress was faced in considering the 1937 Act was the issuance of injunctions suspending the operation of federal statutes in litigation to which the United States or its officers were not parties. Cf. *Moor* v. *Texas and New Orleans R. R. Co.*, 297 U. S. 101; *Duke*

[30] H. R. 4899, 81 Cong. Rec. 1390 (1937) (limiting the jurisdiction of district and circuit courts with respect to injunctions against acts of Congress on the grounds of their unconstitutionality); S. 1174, 81 Cong. Rec. 482 (1937) (prohibiting district and circuit courts from issuing injunctions against acts of Congress until such have been declared invalid by the Supreme Court); H. R. 3895, 81 Cong. Rec. 342 (1937) (limiting the powers of federal courts respecting legislation by Congress).

[31] Sen. Doc. No. 182, 74th Cong., 2d Sess., (1936) 23; Sen. Doc. No. 44, 75th Cong., 1st Sess. (1937); 81 Cong. Rec. 259, 479 (1937).

Power Co. v. *Greenwood County,* 299 U. S. 259 (Federal Administrator intervened); *Burco, Inc.* v. *Whitworth,* 81 F. 2d 721 (C. C. A. 4), certiorari denied, 297 U. S. 724; *California Water Service Co.* v. *City of Redding,* 304 U. S. 252. The last-cited case was brought after the 1937 Act. Although no federal officers were made defendants, a three-judge court decided the case, and this Court held that the court had been improperly constituted not because the suit was in form one between private parties but because there was no substantial federal question.

The case of *International Ladies' Garment Workers' Union v. Donnelly Garment Co.,* 304 U. S. 243, is not, in our judgment, an authority against the propriety of a three-judge court in the present cases. There the plaintiff company sued to enjoin the Union from engaging in conduct alleged to violate the antitrust laws. The company contended that the Norris-LaGuardia Act, prohibiting injunctions in the federal courts in cases involving labor disputes, was inapplicable, and if applicable would be unconstitutional. A court of three judges was convened under Section 3 of the 1937 Act, and it ruled that the Norris-LaGuardia Act was inapplicable and issued an injunction. On direct appeal to this Court, it was decided that the three-judge court had been improperly convened. There, however, as the Court pointed out, the contention with respect to the Norris-LaGuardia Act was merely an anticipa-

tion of a defense to the jurisdiction of the court and not an application for an injunction within the meaning of Section 3. Moreover, there could have been no interference in that case with the administration of a federal statute, since the Norris-LaGuardia Act was self-operating and merely constituted a defense to an application for injunctive relief. The present case would be more nearly comparable to the *Donnelly* case if the impact of the Royalty Adjustment Act were merely to provide a defense to an action by the plaintiff for royalties. But the Act, and the relief sought in the present case, go further. The Act and the orders pursuant thereto require payment to the United States, and compliance therewith would be restrained by the injunctive relief sought.

B. *Direct Appeal to This Court was Proper Although the Decision Below Rested on Nonconstitutional Grounds*

Section 3 of the 1937 Act provides for a direct appeal to this Court from a judgment "granting or denying * * * an interlocutory or permanent injunction in such case," that is, in case of an application for injunction "suspending or restraining the enforcement, operation, or execution of, or setting aside, in whole or in part, any Act of Congress upon the ground that such Act or any part thereof is repugnant to the Constitution." The judgment and order from which the present

appeals were taken dismissed the complaints on nonconstitutional grounds. It is our position that if the three-judge court was properly convened, the appeals to this Court were proper regardless of the basis of the decisions below.

Similar situations have arisen under Section 266 of the Judicial Code, which in this respect appears to be identical with Section 3 of the 1937 Act. In *Sterling* v. *Constantin*, 287 U. S. 378, 393-394, the three-judge court based its decision dismissing the complaint on grounds of state law. On direct appeal, this Court discussed the jurisdictional question, took jurisdiction, and placed its decision on constitutional grounds. In *Buck* v. *Gallagher*, 307 U. S. 95, the three-judge court dismissed the bill for want of the requisite jurisdictional amount. On direct appeal this Court took jurisdiction, reviewed the question decided below, reached a different conclusion, and reversed and remanded to the three-judge court. We think that these decisions are sound and should be followed here. It is not to be supposed that Congress intended to provide for appeal from a three-judge court to a circuit court of appeals.[32] It is true that in some cases this Court has approved appeals from a three-judge court to a circuit court of appeals; but in those instances the three-judge court was held to have been improperly convened, and the appeal was

[32] Cf. 51 Harvard Law Review 577, 618 n. 73.

regarded as one from the decision of a single judge. *Public Service Commission* v. *Brashear Freight Lines, Inc.*, 312 U. S. 621, 625–626; *Wilentz* v. *Sovereign Camp*, 306 U. S. 573. Those cases rest on the circumstance that appeal to the circuit court of appeals rectified the error in convening the three-judge court.

It follows that the appeals to this Court in the present cases were proper unless the district court was mistakenly constituted. We have indicated above (*supra*, pp. 61–66) the reasons for maintaining that the court was a proper one. One further possible objection to the three-judge court may be noted, namely, that the federal question appeared from the face of the pleadings to be plainly without substance because of lack of equity or of jurisdiction. Where the federal question is itself plainly unsubstantial (*Ex parte Poresky*, 290 U. S. 30) or where it is plainly not presented for decision because of preliminary procedural obstacles (*California Water Service Co.* v. *City of Redding*, 304 U. S. 252) a district judge is not obliged to convene a three-judge court. In the present case, we do not think that it is necessary to decide whether the lack of equity or of jurisdiction was so plain that a single judge should have dismissed the bills. The three-judge court in each instance did dismiss the bill, and affirmance by this Court will effectively dispose of the litigation on proper grounds. To vacate the decrees below in order that appeals might be taken to the circuit

court of appeals would be self-defeating if the only reason for so doing is that the complaints did not present a substantial federal question for decision. In the *Redding* case, *supra,* this Court affirmed the decree of dismissal by a three-judge court in similar circumstances.

CONCLUSION

For the foregoing reasons the judgments below should be affirmed.

Respectfully submitted.

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DECEMBER 1944.

APPENDIX A

The Royalty Adjustment Act of October 31, 1942 (56 Stat. 1013, 35 U. S. C. Supp. III, 89–96) reads as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, to aid in the successful prosecution of the War, whenever an invention, whether patented or unpatented, shall be manufactured, used, sold, or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder, and such license includes provisions for the payment of royalties the rates or amounts of which are believed to be unreasonable or excessive by the head of the department or agency of the Government which has ordered such manufacture, use, sale, or other disposition, the head of the department or agency of the Government concerned shall give written notice of such fact to the licensor and to the licensee. Within a reasonable time after the effective date of said notice, in no event less than ten days, the head of the department or agency of the Government concerned, shall by order fix and specify such rates or amounts of royalties, if any, as he shall determine are fair and just, taking into account the conditions of wartime production, and shall authorize the payment thereof by the licensee to the licensor on account of such manufacture, use, sale, or other disposition: *Provided, however,* That the licensee or licensor, if he

so requests within ten days from and after the effective date of said notice, may within thirty days from the date of such request present in writing or in person any facts or circumstances which may, in his opinion, have a bearing upon the rates or amounts of royalties, if any, to be determined, fixed and specified as aforesaid, and any order fixing and specifying the rates and amounts of royalties shall be issued within a reasonable time after such presentation. Such licensee shall not after the effective date of said notice pay to the licensor, nor charge directly or indirectly to the United States a royalty, if any, in excess of that specified in said order on account of such manufacture, use, sale, or other disposition. The licensor shall not have any remedy by way of suit, set-off, or other legal action against the licensee for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise, but such licensor's sole and exclusive remedy, except as to the recovery of royalties fixed in said order, shall be as provided in section 2 hereof. Written notice as provided herein shall be mailed to the last known address of the licensor and licensee and shall be effective upon receipt or five days after the mailing thereof, whichever date is the earlier.

SEC. 2. Any licensor aggrieved by any order isued pursuant to section 1 hereof, fixing and specifying the maximum rates or amounts of royalties under a license issued by him, may institute suit against the United States in the Court of Claims, or in the District Courts of the United States insofar as such courts may have concurrent jurisdiction with the Court of Claims, to

recover such sum, if any, as, when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in title sixty of the Revised Statutes, or otherwise.

SEC. 3. The head of any department or agency of the Government which has ordered the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, and whether or not an order has been issued in connection therewith pursuant to section 1 hereof, is authorized and empowered to enter into an agreement, before suit against the United States has been instituted, with the owner or licensor of such invention, in full settlement and compromise of any claim against the United States accruing to such owner or licensor under the provisions of this Act or any other law by reason of such manufacture, use, sale, or other disposition, and for compensation to be paid such owner or licensor based upon future manufacture, use, sale, or other disposition of said invention.

SEC. 4. Whenever a reduction in the rates or amounts of royalties is effected by order, pursuant to section 1 hereof, or by compromise or settlement, pursuant to section 3 hereof, such reduction shall inure to the benefit of the Government by way of a corresponding reduction in the contract price

to be paid directly or indirectly for such manufacture, use, sale, or other disposition of such invention, or by way of refund if already paid to the licensee.

SEC. 5. The head of the department or agency of the Government concerned is further authorized, in his discretion and under such rules and regulations as he may prescribe, to delegate and provide for the delegation of any power and authority conferred by this Act to such qualified and responsible officers, boards, agents, or persons as he may designate or appoint.

SEC. 6. For the purposes of this Act, the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government shall be construed as manufacture, use, sale, or other disposition for the United States and for the purposes of the Act of June 25, 1910, as amended (40 Stat. 705; 35 U. S. C. 68), the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

SEC. 7. This Act shall apply to all royalties directly or indirectly charged or chargeable to the United States for any supplies, equipment, or materials to be delivered to or for the Government from and after the effective date of the notice provided for in section 1 hereof. This Act shall also apply to all royalties charged or chargeable di-

rectly or indirectly to the United States for supplies, equipment, or materials already delivered to or for the Government which royalties have not been paid to the licensor prior to the effective date of the notice provided for in section 1 hereof. Sections 1 and 2 of this Act shall remain in force only during the continuance of the present war and for six months after the termination thereof, except that as to rights accrued or liabilities incurred prior to termination thereof, the provisions of this Act shall be treated as remaining in force and effect for the purpose of settling, sustaining, qualifying, or defeating any suit or claim hereunder.

SEC. 8. The head of each department or agency of the Government may issue such rules and regulations and require such information as may be necessary and proper to carry out the provisions of this Act. The provisions of section 10 (e) of an Act approved July 2, 1926 (44 Stat. 787), as amended, and title XIII of Public Law 507, Seventy-seventh Congress, shall be applicable to the owner, licensor, or licensee of an invention, whether patented or unpatented, manufactured, used, sold, or otherwise disposed of for the United States, and the term "defense contract" as used in said Act shall mean and include an agreement for the payment of royalty, regardless of the date of such agreement, under or by virtue of which royalty is directly or indirectly paid by the Government or included within the contract price for property sold to or manufactured for the Government.

SEC. 9. Nothing herein contained shall be deemed to preclude the applicability of Sec-

tion 403 of Public Law 528, Seventy-seventh Congress, as the same may be heretofore or hereafter amended so far as the same may be applicable.

SEC. 10. If any provision of this Act or the application of any provision to any person or circumstance shall be held invalid, or if any provision of this Act shall be inoperative by its terms, the validity or applicability of the remainder of the Act shall not be affected thereby.

APPENDIX B

Section 3 of the Act of August 24, 1937 (c. 754, § 3, 50 Stat. 752, 28 U. S. C. 380a).

No interlocutory or permanent injunction suspending or restraining the enforcement, operation, or execution of, or setting aside, in whole or in part, any Act of Congress upon the ground that such Act or any part thereof is repugnant to the Constitution of the United States shall be issued or granted by any district court of the United States, or by any judge thereof, or by any circuit judge acting as district judge, unless the application for the same shall be presented to a circuit or district judge, and shall be heard and determined by three judges, of whom at least one shall be a circuit judge. When any such application is presented to a judge, he shall immediately request the senior circuit judge (or in his absence, the presiding circuit judge) of the circuit in which such district court is located to designate two other judges to participate in hearing and determining such application. It shall be the duty of the senior circuit judge or the presiding circuit judge, as the case may be, to designate immediately two other judges from such circuit for such purpose, and it shall be the duty of the judges so designated to participate in such hearing and determination. Such application shall not be heard or determined before at least five days' notice of the hearing has been given to the Attorney General and to such other persons as may be defendants in the suit:

Provided, That if of opinion that irreparable loss or damage would result to the petitioner unless a temporary restraining order is granted, the judge to whom the application is made may grant such temporary restraining order at any time before the hearing and determination of the application, but such temporary restraining order shall remain in force only until such hearing and determination upon notice as aforesaid, and such temporary restraining order shall contain a specific finding, based upon evidence submitted to the court making the order and identified by reference thereto, that such irreparable loss or damage would result to the petitioner and specifying the nature of the loss or damage. The said court may, at the time of hearing such application, upon a like finding, continue the temporary stay or suspension, in whole or in part, until decision upon the application. The hearing upon any such application for an interlocutory or permanent injunction shall be given precedence and shall be in every way expedited and be assigned for a hearing at the earliest practicable day. An appeal may be taken directly to the Supreme Court of the United States upon application therefor or notice thereof within thirty days after the entry of the order, decree, or judgment granting or denying, after notice and hearing, an interlocutory or permanent injunction in such case. In the event that an appeal is taken under this section, the record shall be made up and the case docketed in the Supreme Court of the United States within sixty days from the time such appeal is allowed, under such rules as may be prescribed by the proper

courts. Appeals under this section shall be heard by the Supreme Court of the United States at the earliest possible time, and shall take precedence over all other matters not of a like character. This section shall not be construed to be in derogation of any right of direct appeal to the Supreme Court of the United States under existing provisions of law.

APPENDIX C

Letters From The Royalty Adjustment Board Explaining Methods of Collecting royalties under the Act.

(1)

WAR DEPARTMENT ESSENTIAL OFFICIAL
AIR MAIL

TSXRA

ARMY AIR FORCES

Headquarters

Air Technical Service Command

Capt. E. H. Cassels:
mdg: 1002 Extn. 3-6348.

Director
AAF ATSC
Office, The Judge Advocate,
Patents and Royalties Section
Wright Field, Dayton, Ohio

WRIGHT FIELD,
Dayton, Ohio, 14 November 1944.

Attn: Royalty Adjustment Board.
Subject: Roscoe A. Coffman vs. Breese Corporations, Inc.
To: The Solicitor General,
Department of Justice,
Washington, D. C.

Attention: Mr. David L. Kreeger.

1. This letter confirms and supplements telephone conversations held on 13 November 1944 between Mr. David L. Kreeger of your office and Lt. Colonel Charles R. Fenwick, a member of the Royalty Adjustment Board (hereinafter referred to as the Board), and Captain E. H. Cassels, assistant to the Board, relative to the above case.

2. The Board made formal requests of Breeze Corporations, Inc. (hereinafter referred to as Breeze) to refund to the Government royalties due it pursuant to Royalty Adjustment Orders #W-9 and #N-7. Breeze failed to comply with these requests. Thereupon the Board under date of 5 August 1944 requested the Finance Officer, U. S. Army, New York, New York to withhold monies due Breeze until the sum of $285,307.00, an amount based on information then available to the Board estimated to be due by Breeze to the United States as of 31 May 1944 pursuant to the orders above mentioned, had been withheld. The Finance Officer informed the Board that as of 4 September 1944, $59,942.60 had been so withheld.

3. Mr. Edward J. O'Mara of the law firm of Wall, Haight, Carey & Hartpence, attorneys for Breeze, on or about 5 October 1944, inquired by telephone as to what arrangements, if any, could be made whereby his client, Breeze, could comply with the Royalty Adjustment Orders above mentioned and not be prejudiced in the event the Royalty Adjustment Act of 1942 is held invalid. He was advised that in those cases in which the amounts due the Government under orders of the Board are uncertain or disputed or otherwise in doubt, the Board has adopted the policy of arranging to have any monies paid in such cases deposited in a "Special Deposit" account pending determination of the rights of the Government and the licensor to such funds. It was explained to Mr. O'Mara that funds placed in this account are not covered into the Treasury of the United States as other funds, but that upon a final determination of the rights of the

Government and the licensor to such funds, disbursement of the funds in the "Special Deposit" account could be made pursuant to an administrative direction of the Board; that the funds or such part thereof, if any, due the United States could be covered into the Treasury of the United States as "Miscellaneous Receipts", and the part thereof due the licensor could be returned to it. This telephone conversation was confirmed by letter under date of 5 October 1944 to Breeze with a copy thereof to Mr. O'Mara. A copy of the letter is herewith inclosed.

4. The records of this Board do not show payment of any sums directly by Breeze to the Government pursuant to the orders hereinabove mentioned.

5. Where the Government effects a collection by withholding from one of its contractors and it is later determined that the withholding is improper, the contractor is entitled under his contract to receive the sums so withheld. From the foregoing it is clear that Breeze would not be prejudiced either by paying the amounts due under the Royalty Adjustment Orders into a "Special Deposit" account nor by having those amounts withheld by the Finance Officer from any sums due it from the Government on account of goods sold or services rendered.

For the Director:

/s/ J. C. BURTON
J. C. Burton,
Colonel, J. A. G. D.,
Chairman,
Royalty Adjustment Board.

1 Incl.
Cpy of this Board's ltr dtd 5 October 1944.

(2)

Director
ATSC
Air Technical Service Command
TSXRA
Capt. E. H. Cassels
bjk Ext: 2-7100

5 OCTOBER 1944

Royalty Refunds due the United States under Royalty Adjustment Orders W-9 and N-7

Breeze Corporation, Incorporated
24 South Sixth Street
Newark, New Jersey

Attention: Mr. Fred J. Shupp, Treasurer.

1. This Board this day received a telephone call from Mr. Edward J. O'Mara, of counsel for your company. Mr. O'Mara asked what arrangements could be made so that your company could properly comply with Royalty Adjustment Orders W-9 and N-7 and yet be protected from having to make the same payments again to Mr. Coffman in the event that the Royalty Adjustment Act 1942 were declared invalid by the United States Supreme Court in pending litigation.

2. The payments due under the foregoing orders can be made by checks payable to "Treasurer of the United States" and forwarded to the Director, Army Air Forces, Air Technical Service Command, Wright Field, Dayton, Ohio, Attention: Royalty Adjustment Board. The check will reach this Board and will be deposited in the Government's "Special Deposit Account" pending the outcome of the current Coff-

man litigation, its disposition depending upon the outcome of that suit.

3. As soon as the royalty refund payments are brought up to date, the Board will order the release to you of the moneys withheld by the Finance Officer at New York.

J. C. BURTON,
Colonel, J. A. G. D.,
Chairman, Royalty Adjustment Board.

cc: To Mr. Edward J. O'Mara.

U. S. GOVERNMENT PRINTING OFFICE: 1944

SUPREME COURT OF THE UNITED STATES.

No. 71.—October Term, 1944.

Roscoe A. Coffman, Appellant, *vs.* Breeze Corporations, Inc. and the United States of America.	Appeal from the District Court of the United States for the District of New Jersey.

[January 2, 1945.]

Mr. Chief Justice Stone delivered the opinion of the Court.

The question is whether this suit, brought in the District Court by appellant, a patent owner, to enjoin its licensees from paying accrued royalties to the Government under the Royalty Adjustment Act of October 31, 1942, 56 Stat. 1013, 35 U. S. C. Supp. III, §§ 89-96, and attacking the constitutionality of the Act, was rightly dismissed for want of equity jurisdiction and for want of a justiciable case or controversy.

Appellant brought the present suit in the District Court for New Jersey, joining as defendants Federal Laboratories, Inc., a Delaware corporation, and appellee Breeze Corporations, Inc., a New Jersey corporation. Federal was not served with process and did not appear, and the cause has proceeded against appellee Breeze alone. The case being one in which the constitutionality of an Act of Congress is challenged and in which a preliminary and final injunction is asked restraining "the enforcement, operation, or execution of, or setting aside in whole or in part" of an Act of Congress on the ground of its unconstitutionality, a court of three judges was convened to hear the cause pursuant to § 3 of the Act of August 24, 1937, 50 Stat. 752, 28 U. S. C. § 380(a).[1]

[1] The District Court of three judges was rightly convened, although the suit was brought against private parties not public officers. Unlike § 266 of the Judicial Code, 28 U. S. C. § 380, the Act of August 27, 1937 does not restrict its requirement for the assembly of a District Court of three judges to suits against public officers. See Oklahoma Gas & Electric Co. v. Oklahoma Packing Co., 292 U. S. 386. Section 3 of the Act of 1937 directs that a court of three judges is to be convened whenever an interlocutory or permanent injunction is sought "suspending or restraining the enforcement, operation, or execution of, or setting aside, in whole or in part, any Act of Congress" upon the ground that it is repugnant to the Constitution. This language appears to have been taken from the Urgent Deficiencies Act of 1913, 28

Appellee Breeze answered. Upon appropriate proceedings had under 50 Stat. 751, 28 U. S. C. § 401, the United States was permitted to intervene as a party. Thereupon the District Court granted the Government's motion to dismiss the suit for want of equity jurisdiction and of a justiciable case or controversy. 55 F. Supp. 501. The case comes here on appeal under § 3 of the Act of August 4, 1937, c. 754, 50 Stat. 752, 28 U. S. C. § 380(a), authorizing direct appeals to this Court in a case where a district court of three judges convened pursuant to the section has entered "judgment granting or denying, after notice and hearing, an interlocutory or permanent injunction in such case".

The facts appear from the pleadings and by stipulation, and are admitted for the purposes of the motion. Appellant, the owner of a United States patent covering an improvement upon a device for use in starting a combustion motor, and shells for use with the device, entered into an agreement licensing Federal to manufacture and sell the patented device at a royalty of 6% of the licensee's selling price of the device and its parts. At some time before July 1937, appellee Breeze acquired all of Federal's outstanding shares of capital stock and has since controlled its business and policies. In 1937 it entered into a contract, since renewed and continued with Federal, whereby the latter engaged Breeze as its exclusive "sales agent and distributor" to manufacture and sell the patented device. Breeze began the manufacture and sale of the patented device, and from the allegations of the bill of complaint it appears, inferentially at

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U. S. C. § 47. Its choice of language, differing from that of § 266 of the Judicial Code, must be taken to be deliberate. See Jameson & Co. v. Morgenthau, 307 U. S. 171, 175.

Here the injunction sought would restrain appellee from payment of the royalties into the Treasury as required by the Act of Congress and would thus restrain the "operation" or "execution" of the statute. Like interpretation has been given to the like language of the Urgent Deficiencies Act of 1913. See Lambert Co. v. B. & O. R. R. Co., 258 U. S. 377; Venner v. Michigan Central R. R. Co., 271 U. S. 127.

International Ladies' Garment Workers' Union v. Donnelly Garment Co., 304 U. S. 243, is to be distinguished from the present case. There an injunction was sought against a labor union for violation of the anti-trust laws, the plaintiff appellee contending that the Norris-LaGuardia Act, 47 Stat. 70, 29 U. S. C. § 101, was inapplicable or, if applicable, unconstitutional. This Court held that a district court of three judges was unauthorized by § 3 of the 1937 Act, since the contention with respect to the Norris-LaGuardia Act was not an application for an injunction within the meaning of § 3, but merely an anticipation of a defense going to the jurisdiction of the court. Even though the Norris-LaGuardia Act were applicable, it could not, if unconstitutional, operate as a defense, and no case was made for an injunction.

least, that it has been engaged to some extent, not disclosed, in supplying the War and Navy Departments with the patented device under government contracts.

The Royalty Adjustment Act provides that whenever a patented device is "manufactured, used, [or] sold . . . for the United States" under a license stipulating for payment of royalties "believed to be unreasonable or excessive" by the head of the government agency concerned, he "shall give written notice of such fact to the licensor and to the licensee". It provides that within a reasonable time thereafter the head of the agency "shall by order fix and specify such rates or amounts of royalties, if any, as he shall determine are fair and just, taking into account the conditions of wartime production". The Act directs the licensee, after the effective date of the notice, not to "pay to the licensor, nor charge directly or indirectly to the United States a royalty, if any, in excess of that specified in said order on account of such manufacture, use, sale or other disposition".

The Act deprives the licensor of "any remedy . . . against the licensee for the payment of any additional royalty remaining unpaid". It provides that his "sole and exclusive remedy, except as to the recovery of royalties fixed in said order" is a suit against the United States "to recover such sum, if any, as, when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production". By § 7 the Act is made applicable "to all royalties directly or indirectly charged or chargeable to the United States" which "have not been paid to the licensor prior to the effective date of the notice", as well as to royalties accruing upon all articles delivered after the effective date. By § 4 any reduction in royalties authorized by the Act is to "inure to the benefit of the Government by way of a corresponding reduction in the contract price to be paid . . . or by way of refund if already paid to the licensee".

Pursuant to § 1 of the Act the Navy Department on February 24, 1943, gave notice to appellant, appellee Breeze and Federal that the royalties provided for by the license contract "now being paid directly or indirectly" under contracts in which Federal or Breeze "is either a prime contractor or a subcontractor

are believed to be unreasonable or excessive." The notice directed that, until a royalty adjustment order should be issued under the Act "no royalties should be paid on account of the manufacture, use, [or] sale . . . for the United States" of the patented device. A similar notice was given by the War Department to the same parties on March 3, 1943. In December, 1943, the War and Navy Departments issued royalty adjustment orders, under § 1 of the Act, purporting to reduce to specified amounts, declared to be "fair and just", the royalties accruing on the manufacture and sale of the patented device for the War and Navy Departments, with maximum royalties of $50,000 per year commencing January 1, 1943. The orders further directed Federal and Breeze to pay to the Treasurer of the United States "the balance in excess" of the royalty payments authorized by the orders "which were due to Licensor and were unpaid on the effective date" of the notice, or which might thereafter become due to the licensor.

According to the bill of complaint there are large amounts due and owing to appellant as royalties under its license contract with Federal and the contract between Federal and Breeze. It also appears that appellant has brought a separate suit in the United States District Court for New Jersey against Breeze and Federal for an accounting for the royalties said to be due to appellant, in which Breeze alone was served by process and has appeared and answered. The cause is at issue, and the court has ruled that appellant recover all royalties which have accrued or may accrue to the date of trial.

The answer of appellee Breeze in the present suit denies that it owes any royalties to appellant. It alleges that whether the Royalty Adjustment Act is valid or invalid is a matter which is immaterial to appellee for the reason that it owes appellant no money as royalties or otherwise. In the present suit appellant asks no judgment for the recovery of the royalties alleged to be due from Federal and appellee Breeze. It seeks only an adjudication that the Royalty Adjustment Act and the orders purporting to be made in conformity to it are unconstitutional as applied to appellant, and asks an injunction restraining Breeze and Federal from complying with the Act and the orders by paying any part of the royalties into the Treasury or to any person other than appellant.

We agree with the conclusion of the District Court below that appellant's bill of complaint states no cause of action in equity and presents no case or controversy within the judicial power of the United States as defined by § 2 of Article III of the Constitution.

The only rights asserted as the basis for the relief sought by appellant are derived from the license agreements. Those agreements, so far as now appears and as we assume for present purposes, are contractual obligations to pay the stipulated royalties. As they accrue, the royalties become simple debts recoverable in an action at law, or possibly, where the accounts are complicated, in a proceeding for an accounting such as appellant has already begun in its separate suit pending in the District Court of New Jersey. *Kirby* v. *Lake Shore, etc., R. R.*, 120 U. S. 130; *United States* v. *Old Settlers*, 148 U. S. 427, 465.

Appellant does not in the present suit bring to our attention any facts showing or tending to show that a suit to recover a money judgment for the royalties would not afford complete and adequate relief without resort to an equitable remedy. In such a suit if appellee Breeze is obligated by the contracts in question to pay the royalties to appellant, it can discharge that obligation only by payment of the amount due, or by setting up the Royalty Adjustment Act as a defense. Compliance with the duty under the Act to pay into the Treasury the royalties withheld from appellant would operate by the terms of the Act as a discharge of the obligation to pay appellant. If that defense were offered, the constitutional validity of these provisions of the Act would be a justiciable issue in the case, since upon its adjudication would depend appellant's right of recovery.

But whether the provisions of the Act be valid or invalid appellants show no ground for equitable relief. If valid they would be a defense, and appellant would be entitled to no relief other than that afforded by the suit against the Government authorized by § 2 of the Act. If invalid, appellant's right to recover remains unimpaired. The sufficiency of the defense may be as readily tested in a suit at law to recover the royalties as by the present suit in equity to enjoin payment of the royalties into the Treasury. In either case appellant would receive all the relief to which it shows itself entitled.

The obligation to pay royalties, as we have said, appears to be no more than a debt. There is no contention that it is a fiduciary obligation to turn an earmarked fund over to appellant. The complaint does not indicate that if appellee is not enjoined it will pay the royalties into the Treasury, or, if it does, that appellee will be unable to respond to a judgment in appellant's favor. Appellant thus fails to assert any right of recovery at law in the present suit or to show that its remedy available at law is so inadequate as to entitle it to ask an equitable remedy. Section 267 of the Judicial Code (28 U. S. C. §384) *Boise Artesian Water Co.* v. *Boise City*, 213 U. S. 276, 283; *Pusey & Jones Co.* v. *Hanssen*, 261 U. S. 491, 497; *Hurley* v. *Kincaid*, 285 U. S. 95, 105; *Schoenthal* v. *Irving Trust Co.*, 287 U. S. 92, 94.

So far as the present suit seeks a declaratory judgment or an injunction restraining payment of the royalties into the Treasury, it raises no justiciable issue. Appellant asserts in the present suit no right to recover the royalties. It asks only a determination that the Royalty Adjustment Act is unconstitutional and, if so found, that compliance with the Act be enjoined, an issue which appellee by its answer declines to contest. If contested the validity of the Act would be an issue which, so far as it could ever become material, would properly arise only in a suit to recover the royalties, where it could be appropriately decided.

In the circumstances disclosed by the record and for purposes of the present suit, the constitutionality of the Act is without legal significance and can involve no justiciable question unless and until appellant seeks recovery of the royalties, and then only if appellee relies on the Act as a defense. The prayer of the bill of complaint that the Act be declared unconstitutional is thus but a request for an advisory opinion as to the validity of a defense to a suit for recovery of the royalties. Appellee could have made such a defense but does not appear to have done so in the pending accounting suit and does not assert its validity here. The bill of complaint thus fails to disclose any ground for the determination of any question of law or fact which could be the basis of a judgment adjudicating the rights of the parties.

The declaratory judgment procedure is available in the federal courts only in cases involving an actual case or controversy. *Nashville, Chattanooga & St. Louis Railway Co.* v. *Wallace*, 288 U. S. 249, 258-264; *Aetna Life Ins. Co.* v. *Haworth*, 300 U. S. 227, 239.

240, where the issue is actual and adversary, *Chicago & Grand Trunk Railway Co.* v. *Wellman*, 143 U. S. 339; *South Spring Gold Co.* v. *Amador Gold Co.*, 145 U. S. 300, 301, and it may not be made the medium for securing an advisory opinion in a controversy which has not arisen. *New Jersey* v. *Sargent*, 269 U. S. 328; *United States* v. *West Virginia*, 295 U. S. 463; *Ashwander* v. *Tennessee Valley Authority*, 297 U. S. 288, 324; *Annapolis Manufacturing Co.* v. *Davis*, 301 U. S. 337, 355; *Electric Bond Co.* v. *Commission*, 303 U. S. 419, 443.

In any case the Court will not pass upon the constitutionality of legislation in a suit which is not adversary, *Chicago & Grand Trunk Railway* v. *Wellman*, *supra*; *Bartemeyer* v. *Iowa*, 18 Wall. 129, 134-35; *Atherton Mills* v. *Johnston*, 259 U. S. 13, 15; or upon the complaint of one who fails to show that he is injured by its operation, *Tyler* v. *The Judges*, 179 U. S. 405; *Hendrick* v. *Maryland*, 235 U. S. 610, 621, or until it is necessary to do so to preserve the rights of the parties. *Steamship Co.* v. *Immigration Commissioners*, 113 U. S. 33, 39; *Burton* v. *United States*, 196 U. S. 283, 295; *Adams* v. *Van Schaick*, 293 U. S. 188; *Wilshire Oil Co.* v. *United States*, 295 U. S. 100.

Affirmed.